STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS AUDITED

2017/18

CONTENTS

PART 1

STOCKPORT METROPOLITAN BOROUGH COUNCIL STATEMENT OF ACCOUNTS

BOROUGH TREASURER'S NARRATIVE REPORT

I am very pleased to present the Council's 2017/18 Statement of Accounts. The excellent work undertaken by the Finance Service during the year has ensured that the Council's required budget reductions have been achieved. Through the effective financial management of the Council's resources the Council has been able to continue to deliver essential services to the residents of Stockport whilst meeting the challenges posed by financial environment in which the Council operates.

The Finance Service has worked hard to continue to strengthen the Council's Financial Management processes. The robust financial position presented in these statements demonstrates this. Work undertaken during the year to ensure the robustness of the Council's financial management includes:

- Annual review of the assumptions and forecasts underpinning the Council's Medium Term Financial Plan;
- Updating of the Council's Reserves Policy ensuring all of the Council's earmarked reserves are aligned to the Council's corporate and strategic priorities;
- Supporting budget holders to deliver budget efficiencies and transformational change; and
- Setting of a balanced budget for the Council in 2018/19.

The Council's Medium Term Financial Plan highlights the significant financial challenges over the next five years. Increasing costs as a result of increasing demand for services particularly in relation to those services provided to our most vulnerable residents and inflationary costs continue to add to this financial challenge. The Council continues to work with its partners across the Public Sector to deliver the transformational change needed and ensure the most effective and efficient use of the resources available. Having an excellent Finance Service is key to the Council's ongoing sustainability and its aim of becoming self-financing. This is underpinned by the Council's Growth and Reform Programme which the Finance Service plays a key role in. This is demonstrated by the work of the Finance Service over the last twelve months including:

- Supporting the Council to continue its plans for the regeneration of Stockport to grow the Stockport Economy;
- Leading on the Council's involvement in the Greater Manchester 100% Business Rates Retention Pilot;
- Supporting the rollout of a Community Investment Fund;
- Supporting the ongoing digitalisation of Council Services;
- Working with partners to ensure resources are being used effectively to deliver the desired outcomes for residents; and
- Supporting colleagues to deliver efficiencies and transformational change.

The Finance Service will continue to be at the forefront of ensuring the Council is able to meet its future financial challenges, working closely with colleagues across the Council and its partner organisations to achieve this.

The Statement of Accounts have once again been prepared to a high standard, being handed over to the Council's External Auditors on 31 May 2018. This means the Council has met the new statutory financial closedown deadline for Local Authorities.

The Statement of Accounts plays a vital role in providing Stockport residents, Council Members and other interested parties with an understanding of the Council's financial position, providing assurance that public resources have been used and accounted for in an appropriate manner. Whilst providing this assurance, the timely preparation is important to allow the Council to report its financial position for the financial year and then move its focus to meeting the financial challenges ahead. This is only possible through the hard work and dedication of colleagues within the Finance Service.

The Statement of Accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom. It aims to ensure the readers of the Statement of Accounts can:

- Understand the overarching financial position of the Council and the 2017/18 financial outturn position;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for appropriately; and
- Be assured of the robustness of the Council's financial standing.

The following Narrative Report provides information about Stockport. It highlights the key issues affecting the Council and its accounts and includes a summary of the Council's financial position as at 31 March 2018.

Michael Cullen
Borough Treasurer

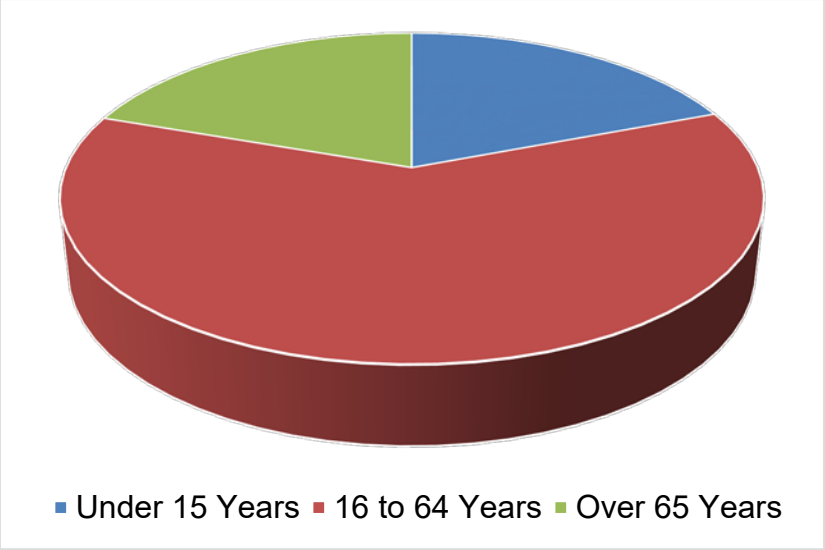
INTRODUCTION TO STOCKPORT

Stockport Council is one of ten local authorities in the Greater Manchester region. It is situated in between the Peak District, the Cheshire Plain and one of the UK's fastest growing cities, Manchester. Stockport is a Borough of independent shops, great schools, thriving businesses and strong communities. Nevertheless, the Council also faces many challenges which the Council is working hard to address to build a better future for the Borough.

KEY FACTS ABOUT STOCKPORT

Population

The Office for National Statistics 2016 mid-year population estimates report Stockport's total population as 290,557. The age profile of the population is shown below:



Compared to national averages Stockport has a high proportion of residents aged under 5 years and over 65 years, and a lower working age population. This provides the Council with significant challenges in terms of the demand for and provision of services. Furthermore the population is expected to increase significantly over the medium term with a high proportion of this increase coming from those residents aged over 65 years. Furthermore the population aged over 85 is forecast to increase by 2020.

Local Economy

Stockport supports the third largest workforce across Greater Manchester, with the latest data reporting 124,000 people employed within the Borough. Stockport is home to a diverse and thriving local economy. It has 13,000 businesses providing an effective environment for enterprise and business start-ups. A high proportion of people work within higher value occupations including professional and managerial roles. Going forward strong growth across a number of employment sectors is predicted for Stockport.

81.5% of Stockport's working age population is economically active, which is above both the North West and UK averages. Stockport has consistently outperformed conurbation, regional and national business start-up rates per ten thousand residents over the last decade. 41.1% of Stockport's residents were qualified to NVQ level 4 or above in 2016, a 5% increase from 2015. Only 6.3% of the Borough's population have no qualifications, compared with 9.8% across Greater Manchester.

Stockport supports a diverse economy. Over the next ten years, administrative and support services, information and communication, professional services, accommodation and food services, and wholesale/retail trade are expected to be Stockport's main growth sectors.

Political Structure

The Borough of Stockport is made up of twenty one wards with three Councilors representing each ward. During 2017/18 the political make-up of the Council was:

Labour	23 Councillors
Liberal Democrats	20 Councillors
Conservatives	14 Councillors
Independent Ratepayers	3 Councillors
Stockport Residents Group	2 Councillors
Independent Councillor	1 Councillor

The Cabinet is the main decision making body of the Council and is responsible for the strategic management of Council Services. The Cabinet consists of the Cabinet Leader and seven Cabinet Member Councillors, each of whom holds a Cabinet Member Portfolio.

The Cabinet Member Portfolios and their Cabinet Members during 2017/18 were:

- Policy, Finance and Devolution – Councillor Alex Ganotis (Council Leader)
- Adult Social Care – Councillor Wendy Wild
- Children's and Family Services – Councillor Colin Foster
- Communities and Housing – Councillor Shelia Bailey
- Economy and Regeneration – Councillor Kate Butler
- Education – Councillor – Dean Fitzpatrick
- Health – Councillor Tom McGee
- Reform and Governance – Councillor David Sedgwick

A local election was held on 3 May 2018 and 24 May 2018 where 21 Council seats were up for election. This has changed the political make-up of the Council as at 31 May 2018 as shown below:

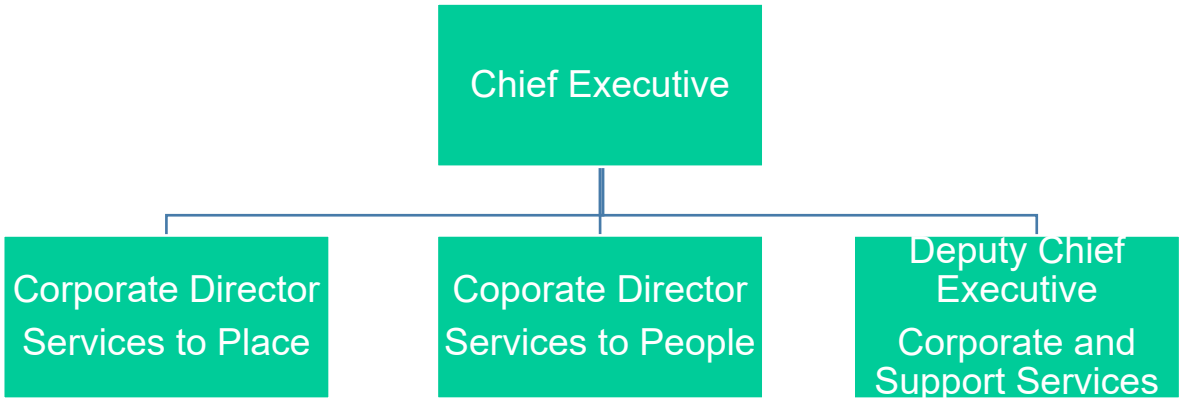
Labour	25 Councillors
Liberal Democrats	21 Councillors
Conservatives	13 Councillors
Independent Ratepayers	3 Councillors
Independent Councillor	1 Councillor

Corporate Leadership Team Structure

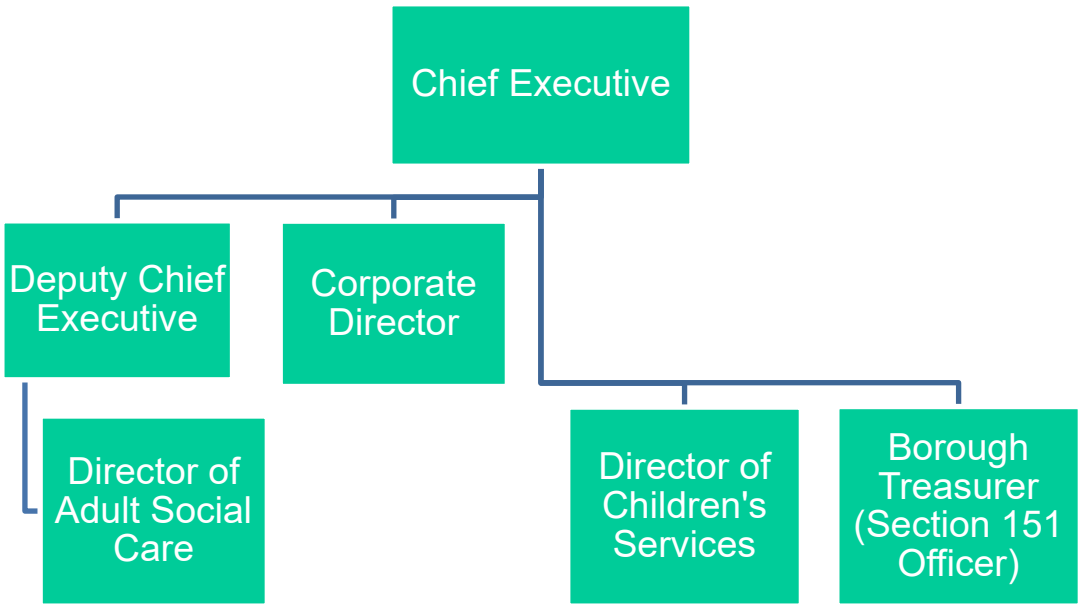
The Council's Corporate Leadership Team (CLT) supports the work of the Councillors. During the year the CLT was headed by the Council's Chief Executive, three Corporate Directors and supported by the Borough Treasurer. CLT is responsible for the delivery of Council Services, directing improvements and the future plans for the Borough. The Team provides managerial leadership and supports Councillors in:

- Developing the Council's strategies;
- Identifying and planning resources for the Council;
- Delivering Council plans; and
- Reviewing the Council's effectiveness in delivering excellent services to the residents of Stockport.

Up to the 28 February 2018 the Council's CLT was structured as follows:



During the year the Borough Treasurer attended CLT meetings in his role as the Council's Chief Finance Officer before becoming part of CLT on 1 March 2018 as part of the interim CLT structure put in place shown below:



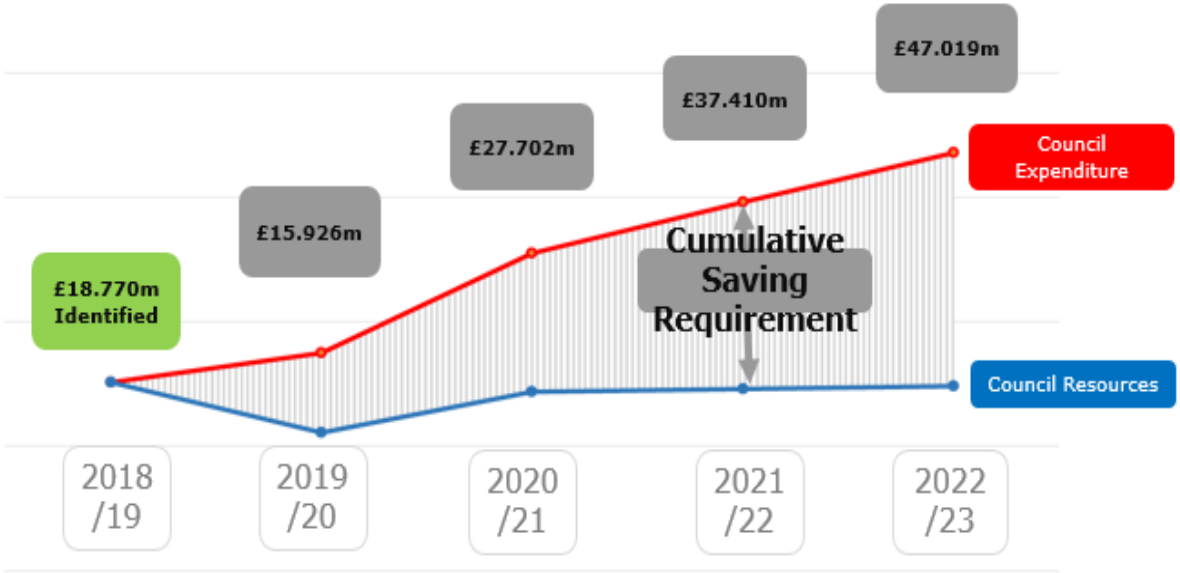
Council Employees

At the start of April 2017 the Council employed 2,368.1 full time equivalents (excluding school based employees). By March 2018 this has increased to 2,395.3 full time equivalents (excluding school based employees). The longer term trend however shows a significant reduction in the Council's workforce from 2,978 full time equivalents in 2012.

The Council recognises the importance of the Council Officers in every aspect of its work and ensures they are engaged and developed in order to be able to deliver excellent services to Stockport Residents, Members and external partners.

Medium Term Financial Landscape and Financial Challenge

The financial challenges the Council will have to meet over the medium term period 2019/20 to 2022/23 remain significant. The Council has achieved over £108m of net revenue budget savings since 2010/11. A further £18.770m of net revenue budget savings have been approved for 2018/19 with an additional £47.019m of budget savings forecast for the four years to 2022/23. The chart below illustrates the scale of the financial challenge facing the Council over the next five years.



*resource increase in 2020/21 relates to forecast Business Rates Retention subject to Government's fair funding review, assumes new responsibilities transferred thus fiscally neutral.

This is coupled with the uncertainty about the future of Local Authority funding. Uncertainty about expected changes to the Local Authority Financing Regime as a result of the Government's Fair Funding Review and the increasing reliance on locally raised income such as Council Tax and Business Rates to support the provision of essential Council Services to residents is adding to the financial challenge.

The Council remains committed to the ongoing transformational change needed to service delivery models to ensure the Council is able to move to a self-sustainable funding model. To do this the Council will continue to focus on growing the local tax taxbase and designing service delivery models on a more commercial basis where it

is appropriate to do so in order to generate income. The Council will focus on the 2019/20 savings requirement through reducing costs whilst focusing on the priorities set out in the Council Plan and delivering the desired outcomes for residents. In line with this the Council will bring forward a programme of work including service reforms, new ways of working and targeted investment in key priorities.

Council Plan

The Council Plan sets out how the Cabinet is preparing for the future and responding to the challenges facing the Council. It retains the focus on delivering the five 'shared outcomes' within the 2015 to 2020 Investing in Stockport Borough Plan:

- People are able to make positive choices and be independent;
- People who need support get it;
- Stockport benefits from a thriving economy;
- Stockport is a place people want to live; and
- Communities in Stockport are safe and resilient.

The Plan sets out the framework for delivering these outcomes, setting out priorities for the year ahead, supported by a range of key projects and programmes. In particular 2018/19 will see a focus upon building the learning and testing that took place through 2017/18 as well as from the progress already made with integrating health and social care through Stockport Together and joined-up services through Stockport Family. Priorities within the newly published Greater Manchester Strategy have also been aligned with local priorities, and delivery of these outcomes is being monitored closely.

At the heart of the Council Plan is a vision for Inclusive Growth. This will focus on ensuring all residents can benefit from Stockport's economic growth and tackling poverty and inequality across the Borough. Continuing to engage with local people, communities and businesses will help shape this vision and the Council's approach over the next 12 months.

Greater Manchester Devolution and Partnership Working

The Council has continued to work alongside the other Greater Manchester Authorities to integrate health and social care services. This was a major part of the Greater Manchester Devolution agreement with Government and a key focus of the Greater Manchester Mayor. The economic business case for Stockport Together was considered by the Council during the year and work is underway to implement the new models of care identified. The pressures facing the Health and Social Care economy remains one of the greatest risks that the Council faces over the medium term period. The modelled benefits are subject to pressures from both internal and external factors and are subject to constant benefit realistation plan reviews.

The Council remains committed to its ambitious integration plans and delivery of the transformational change needed to address cost pressures as a result of increasing demand and demographic trends. The Stockport Together Programme sets out the collective vision for a sustainable health and care system for the residents of Stockport. This aims to improve health outcomes, reduce health inequalities, promote greater independence and lower the need for bed-based care. The current

pooled budget including the contribution from Stockport Clinical Commissioning Group was approximately £200m in 2017/18.

The Council will continue to work on both the Stockport Local Plan and the Greater Manchester Spatial Framework including the coordination of house building and improving transport infrastructure across the region. Other examples of partnership working include the establishment of a North West Adoption Agency and continuing work with other Public Services within Stockport and Greater Manchester to identify and assess new ways of working which may could enable the sharing of services across organisations.

2017/18 FINANCIAL PERFORMANCE OF THE COUNCIL

2017/18 Revenue Budget and Capital Programme

On the 23 February 2017, the Council approved the 2017/18 Revenue Budget and Capital Programme.

The revenue budget was set at £232.282m, with £162.561m being Cash Limit budgets and £69.721m for Non-Cash Limit budgets. The Council approved the Council Tax Resolution with a 4.99% increase on Council Tax (including 3% Adult Social Care Precept) for 2017/18. The three-year Capital Programme was approved on 23 February 2017, with £169.697m in resources being allocated to capital schemes in 2017/18.

Revenue Budget and Capital Programme Monitoring

The Revenue Budget and Capital Programme are monitored on a quarterly basis throughout the year. Progress reports are presented to the Council's Cabinet and relevant Scrutiny Committees. In addition the Council's Treasury Management performance highlighting the performance of the Council's investments and capital borrowing is reported to the Cabinet and the Corporate Resources Management and Governance Scrutiny Committee on a quarterly basis.

2017/18 Revenue Outturn Position

The Council's 2017/18 revenue outturn position is shown in the table below:

Portfolio	Original Budget £000	Revised Budget £000	Final Outturn £000	(Surplus)/ Deficit £000
Adult Social Care	65,771	69,878	70,394	516
Children and Family Services	21,915	24,190	28,717	4,527
Communities and Housing	23,615	23,478	23,163	(315)
Economy and Regeneration	2,820	2,615	2,715	100
Education	4,095	3,698	3,853	155
Health	16,468	16,434	16,412	(22)
Reform and Governance	27,877	28,256	28,256	0
Total (Cash Limits)	**162,561**	**168,549**	**173,510**	**4,961**
Superannuation (Auto-Enrolment)	985	971	971	0
Price Inflation / National Living Wage	7,395	2,442	0	(2,442)
Demand Pressures	750	0	0	0
Other Non-Cash Limits	60,591	60,320	53,087	(7,233)
Total (Non-Cash Limits)	**69,721**	**63,733**	**54,058**	**(9,675)**
TOTAL	**232,282**	**232,282**	**227,568**	**(4,714)**
Financed By				
Council Tax Requirement – General	134,284	134,284	134,284	0
Adult Social Care Precept	6,613	6,613	6,613	0
Business Rates Council Share	78,525	76,450	76,450	0
Business Rates Tariff	(1,416)	(1,416)	(1,416)	0
Business Rates Section 31 Grants	4,700	6,775	6,775	0
Education Services Grant	954	954	954	0
New Homes Bonus	2,642	2,642	2,642	0
New Homes Bonus Returned Element	107	107	107	0
Adult Social Care Grant	1,289	1,289	1,289	0
Transition Grant	1,009	1,009	1,009	0
Use of General Fund Balances	3,575	3,575	3,575	0
TOTAL	**232,282**	**232,282**	**232,282**	**0**
OUTTURN SURPLUS	**0**	**0**	**(4,714)**	**(4,714)**

The Council has achieved a surplus of £4.714m for the financial year when comparing budgeted (planned) expenditure with actual expenditure. Decisions on the use of this surplus will considered as part of the Council's 2018/19 Reserves Policy.

The main variances relate to three areas:

- Children and Family Services deficit of £4.527m compared to the revised budget which mainly relates to the increasing cost of supporting Looked

After Children in the Borough. As at 31 March 2018 the Council had 41 children placements across a range of services including external residential placements, external foster care placements and internal foster care and staying put placements. The complexity of some of these cases results in significant costs, one example in 2017/18 costing £6,755 per week. The Council is working to find ways of managing these costs whilst continuing to provide essential services to vulnerable children, this includes the opening of Broadfields Children's Home in February 2018 enabling the movement of expensive external placements to internal placements;

- Adult Social Care deficit of £0.516m compared to the revised budget which mainly relates to pressures within the Residential and Nursing Care and Non-Residential Care services due to increasing demand and demographic trend pressures. A further cost pressure during the year has been the significantly enhanced rates payable to secure local bed provision for vulnerable adults in care. In addition the Learning Disabilities service has seen increased cost for care management provision. Pressures in these areas have been offset by the use of one-off resources in 2017/18 such as the improved Better Care Fund and use of the Council's earmarked reserves;
- Communities and Housing surplus of £0.315m relating to surpluses across a number of services including Public Protection, Parks and Open Spaces and Waste offset by a deficit on the Council's provision of leisure services through Life Leisure;
- Non-Cash Limit surplus of £9.675m as a result of reductions in insurance costs as a result of better risk management, current claim levels, the Highways Investment Programme and the buying less insurance cover from the market, additional dividend from Manchester Airport, lower amounts of medium to long term borrowing required than expected and the Council taking advantage of preferential interest rates on short term borrowing for treasury management purposes, and unallocated corporate budgets set aside to meet expected demand and inflationary costs during the year.

The Comprehensive Income and Expenditure Statement (CIES) shows a surplus on the provision of services of £17.851m. The difference between this and the outturn surplus explained above relates to the adjustments that are made to the CIES through the Movement in Reserves Statement (MiRS) to ensure the Council's General Fund Balance is prepared on a funding basis rather than an accounting basis. Note 2 Adjustments between Accounting Basis and Funding Basis under Regulations reconciles the differences the CIES surplus and the outturn surplus. Some of the reasons for the differences include:

- Capital investments are accounted for when financed, rather than when it is consumed, for example General Fund Grants and Contributions of £61.443m were credited to the Comprehensive Income and Expenditure Statement in 2017/18;
- Charges for depreciation, revaluation losses and impairment of non-current assets of £34.201m in 2017/18;
- Retirement benefits are charged as amounts when they become payable to the pension fund and pensioners, rather than as future benefits are earned (£28.619m for 2017/18); and

- The Minimum Revenue Provision for capital financing is a charge to the General Fund but does not appear in the CIES (£9.099m for 2017/18).

General Fund Balances

The level of General Fund Balances as at 31 March 2018 is £17.118m. This balance reflects the level of unallocated balances that would be needed to address any unexpected budget pressures in 2018/19. The balance is calculated to reflect the spending experiences and risks to which the Council might be exposed to and is approved as part of the budget setting process.

This is made up of the £9.200m recommended minimum level of General Fund Balances required to support the budget in 2017/18 plus the £3.204m of available resources from previous years unallocated outturn surpluses. The 2017/18 outturn surplus of £4.714m will be held in General Fund Balances. This will be considered as part of the Council's 2018/19 Reserves Policy, the in-year monitoring of the 2018/19 budget and the 2019/20 budget setting process. As part of the 2018/19 budget setting process £3.204m of the unallocated outturn surpluses will be utilised to support the Council's contingency budget to mitigate benefit realisation risks of Stockport Together and support the Council's continuing Growth and Reform work.

Earmarked Reserves

Earmarked reserves represent resources that have been set aside to fund specific commitments and plans. The Council's Reserves Policy was updated during the year to ensure it remained aligned to the Council's corporate and strategic priorities. The Policy also ensures the Council's earmarked reserves are held at an appropriate level to support the Council's budget and mitigate the impact of unforeseen cost pressures. During the year there has been a net increase to these reserves of £5.132m resulting in a balance of £68.456m at 31 March 2018. Of this increase, £3.132m relates to unallocated monies held for deployment in the Council's General Fund Balance at the end of 2016/17 which were transferred to earmarked reserves at the start of the year as approved in the Council's 2017/18 Reserves Policy.

The Council's Reserves Policy is reviewed on an annual basis to ensure that the balances held in earmarked reserves remain at an appropriate level to provide the Council with budget resilience. The 2018/19 review will consider the use of the £4.714m 2017/18 outturn surplus when determining the appropriate level of earmarked reserves to be held.

Reserves balances of £11.278m relating to Schools and £1.321m relating to the Housing Revenue Account (HRA) are also held. These balances are held in separate earmarked reserves as they are ringfenced to fund Schools and the HRA expenditure.

Note 7 to the Statement of Accounts provides more information about the balances held on individual reserves.

2017/18 Capital Programme Outturn

The Council has a significant and diverse Capital Programme with an approved £434.697m three-year Capital Programme for 2017/18 to 2019/20. The original

Capital Programme for 2017/18 was £169.697m. A large number of the Council's capital schemes span a number of years. Individual capital schemes making up the Programme are reviewed regularly and the spending profiles are aligned accordingly as the schemes develop. During the year, a net total of £14.173m in additional funding for schemes was added to the Programme and £41.353m was re-phased to align with the developing schemes expenditure profiles.

The Council successfully delivered its 2017/18 Capital Programme with an outturn expenditure of £142.517m as at 31 March 2018.

As stated above, the Council has a large and varied capital programme, with significant expenditure on housing schemes, highways and regeneration projects. The most notable schemes of the 2017/18 Capital Programme include the following:

- Housing Revenue Account (HRA) expenditure on general capital schemes was £17.148m during the year and £8.857m on new build schemes.
- In addition to the HRA schemes above, £10.948m was made available in loans to Stockport Homes Ltd for the Affordable Homes programme.
- A total of £65.398m has been spent on highways projects, including £29.126m on the SEMMMS A6 to Manchester Airport Relief Road, £14.102m on the Town Centre Access Plan, and £11.914m on the Highways Investment Programme.
- In total, £17.972m has been spent on regeneration projects, with £11.461m on Redrock and £5.385m on Aurora Stockport.
- The Primary Sector within the Education Portfolio has had some significant expenditure in recent years, largely due to the Primary Expansion Scheme. A total of £2.314m has been spent in this sector in 2017/18.
- A total of £5.106m has been spent on the Asset Management Plan during 2017/18.

The table below sets out the 2017/18 three year Capital Programme as at 31 March 2018 by Portfolio and the resources being used to finance it.

Portfolio	2017/18 Programme £000	2018/19 Programme £000	2019/20 Programme £000
Adult Social Care	850	1,491	0
Children and Family Services	0	24	0
Communities and Housing	46,590	36,991	28,373
Economy and Regeneration	83,370	75,076	72,472
Education	5,810	9,208	25,000
Health	0	0	0
Reform and Governance	5,897	29,445	14,100
TOTAL	**142,517**	**152,235**	**139,945**
Resources			
Capital Grants	60,525	56,782	43,789
Directly Funded Borrowing	37,331	48,031	43,913
Unsupported Borrowing	20,875	22,884	32,947
Capital Receipts	1,628	7,350	1,127
External Contributions	390	1,849	49
Commuted Sums	1,479	2,406	2,000
Revenue Contributions (RCCO)	9,074	2,040	5,632
HRA Funding From MRR	11,215	10,893	10,488
TOTAL	**142,517**	**152,235**	**139,945**

Treasury Management

The Council's 2017/18 Treasury Management Strategy and Annual Investment Strategy was approved at the Council meeting on 23 February 2017. This sets out the Council's approach to managing its:

- Investments and cash flows;
- Banking, money market and capital market transactions; and
- The effective control of the risks associated with these activities to ensure optimum performance in relation to its treasury management.

The Council's Treasury Management Service ensures the Council's cash flows are adequately planned and that core cash is available when it is needed. Any surplus monies are invested throughout the year to provide adequate liquidity before considering any investment return. The Treasury Management Service also arranges the funding for the Council's Capital Programme, assessing the Council's borrowing need against these plans to ensure the Council can meet its capital spending commitments.

The performance against Council Treasury Management Strategy and Annual Investment strategy are scrutinised by the Council's Corporate Resource Management and Governance Scrutiny (CRMG) Committee during the year. CRMG and the Council's Cabinet are presented with four treasury and investment

performance monitoring reports during the year including the required Mid-Year Treasury Management Report and the Annual Treasury Management Report.

The table below shows the Council Treasury Management position at 31 March 2018:

Treasury Position	**Financial Year 2017/18 (2 Pools)**			
	General Fund		**Housing Revenue Account**	
	£000	**%**	**£000**	**%**
Total Debt	424,984	2.71%	111,385	4.48%
Total Investments	11,050	0.46%	0	0%
Net Debt	413,934		111,385	

Borrowing Outturn Position

Borrowing is undertaken to fund unfinanced capital expenditure and naturally maturing debt, and maintain cash flow liquidity. The strategy during the first half of the financial year was to borrow short term cash from other Local Authorities at low interest rate levels, delay undertaking longer term borrowing and continuing to use internal resources instead of external borrowing (known as internal borrowing). Whilst this is a prudent approach to managing the Council's cash flow, the Treasury Management Service were aware that this was placing increasing reliance on internal resources and short term loans and an increased risk of interest rate rises and periodic shortages of short term loans. As a result the Council decided to undertake new long-term borrowing in November 2017 of £40m from BAE Systems to mitigate the adverse impact of these risks.

The Treasury Management Service has continued to monitor the markets and assess the best time to undertake further long term borrowing during the second half of the financial year. However, in order to take advantage of low interest rates the Council did not undertake any further long term borrowing but continued to take short term loans. The Treasury Management Service will continue to monitor this during 2018/19.

The Council average interest rate across all it borrowing (short and long term) as at 31 March 2018 was 3.03% which is a reduction on the average rate of 3.27% as at 31 March 2017.

Investment Outturn Position

Investment returns have remained low during the year, hence the use of internal borrowing rather than investing the available internal resources at low rates of return. For its cash flow generated balances, the Council used notice accounts, Money Market Funds and a few fixed term deposits to invest available resources during the financial year. The Treasury Management Service avoided making any longer term investments (over 365 days) during the financial year as investment rates have remained historically low.

The investment activity during the financial year conformed to the Council's approved investment strategy and the Council had no liquidity difficulties during the year.

The table below shows the investment strategy undertaken during 2017/18:

Council Performance 2017/18		
Combined Investments	**Ave Balance Invested £000**	**Return %**
Q1	9,541	0.28%
Q2	8,040	0.27%
Q3	20,510	0.36%
Q4	21,346	0.44%
Average	**14,838**	**0.36%**

The second half of the financial year shows a significant increase in the Council's investments. This is linked to the long term borrowing undertaken in November 2017 and the investment level of £10m required by MiFID II (new EU regulations governing the relationships financial institutions have with Local Authorities) to ensure the Council could continue to invest in money markets in the same way it had before the introduction of these regulations.

The Council's combined investment (short and long term) generated an average rate of return of 0.36% representing a good annual performance against benchmarks including the budgeted investment return assumption of 0.25%. Furthermore, no institutions in which investments were made had difficulty in repaying investments and interest in full during the financial year.

Collection Fund

The Council is required by legislation to maintain a separate account for the administration of Council Tax and Business Rates income and expenditure. All income collected from local taxpayers is paid in to this account and then distributed to the Council's General Fund, the Greater Manchester Police and Crime Commissioner and the Greater Manchester Fire and Rescue Authority. The 2017/18 outturn position on the Collection fund is a deficit of £1.431m made up of a £1.576m surplus on Council Tax, offset by a £3.007m deficit on Business Rates. The Council's and the Precepting Authorities' share of this deficit is shown in the table below:

	Council Tax £000	**Business Rates £000**	**Total £000**
Collection Fund Income	(164,330)	(82,560)	(246,890)
Collection Fund Expenditure*	162,754	85,567	248,321
2017/18 (Surplus)/Deficit	**(1,576)**	**3,007**	**1,431**
Allocated to:			
Stockport Metropolitan Borough Council	**(1,362)**	**2,977**	**1,615**
Greater Manchester Fire and Rescue Authority	**(61)**	**30**	**(31)**
Greater Manchester Police and Crime Commissioner	**(153)**		**(153)**
	(1,576)	**3,007**	**1,431**

*includes distribution to the Council and Precepting Authorities during the year

In line with the legislation that governs the Collection Fund accounting, the deficit of £1.615m relating to the Council will be reimbursed in 2018/19 and 2019/20.

Stockport Town Centre Business Improvement District (BID)

Stockport Town Centre's BID commenced on 1 April 2017. The BID is a business led partnership by businesses within Stockport Town Centre with the aim to deliver improvements including:

- Directly involve local businesses and retailers in local activities;
- Get the business and retail community to collaborate to improve the Town Centre offer and visitor/shopper perceptions; and
- Raise funds to pay for marketing and promotion, events and activities and greater security across Stockport Town Centre.

To do this a BID levy is added to each of the participating businesses annual Business Rates bill. The income raised by the BID levy is managed by a separate and unrelated organisation to the Council, Totally Stockport. BID legislation requires the Council to collect and recover the BID Levy as part of the annual Business Rates billing process. As such the Council is acting as an agent and simply passing the income collected through the BID levy to Totally Stockport. The collected income is not accounted for in the Council's Statement of Accounts.

The BID legislation does allow for the Council to recover administrative costs of collecting the BID Levy on behalf of Totally Stockport.

Greater Manchester 100% Business Rates Retention Pilot

During the year the Council has piloted alongside the other Greater Manchester Authorities, the 100% retention of Business Rates income. The Council has benefited from this Pilot compared to the income it would have received under the 50% retention scheme. The Council has been able to retain £4.360m of income that would have been paid to Government in previous years. It was always the intention that the Greater Manchester Region as a whole would benefit from the 100% Business Rates Retention Pilot and agreed that a minimum of 50% of the benefit would be retained by Authorities and any balance retained by the Greater Manchester Combined Authority (GMCA). As a result the Council will retain £2.180m of the benefit which will be used to support the Council's 2018/19 budget as approved at the Budget Council meeting on 22 February 2018. The GMCA share will be used to support the delivery of Greater Manchester priorities.

Whilst the Council will continue to Pilot the 100% retention of Business Rates in 2018/19 and expects to benefit, it is difficult to accurately budget for the expected benefit at the beginning of the financial year. Business Rates income is a complex and volatile tax, changes in rateable values and increases in appeals by businesses are difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. The Council has taken a prudent approach to this and does not budget for any benefit from the Pilot but instead realises the benefit a year in arrears. This is then be used to support the Council's budget setting process and medium term financial planning.

The Government's original intention was for all Local Authorities to move to 100% Business Rates retention by 2020 following the completion of the 100% Retention Pilots. However, the Queen's Speech in 2017 excluded the Local Government Finance Bill which would enable the necessary statutory changes to go before Parliament for this to happen. Recent announcements, as part of the 2018/19 Local Government Finance Settlement, have signalled a move to 75% Business Rates retention for all Local Authorities by 2020/21 (which can be achieved under the existing legislation). However formal confirmation is awaited on how this will impact on the existing Pilots beyond 2018/19 and if Pilots are to continue on what basis this will be, 100% or 75% retention, and how this will link to the Government's fairer funding review.

Housing Revenue Account (HRA)

Under legislation, income and expenditure on council housing is 'ringfenced' within the HRA. This means the Council is not able to make contributions to or from its General Fund from or to the HRA.

After taking into account adjustments between the accounting basis and the funding basis under legislation and transfers to and from earmarked reserves there is a surplus of £0.105m increasing the HRA balance to £1.105m as at 31 March 2018. On an accounting basis, the 2017/18 outturn position on the HRA is a surplus of £24.126m.

Group Accounts

The Council's Group Accounts include those entities where there is a material financial interest and the Council holds a significant level of control. The Council's Group boundary comprises of:

- Stockport Metropolitan Borough Council;
- Stockport Homes Ltd;
- Totally Local Company Ltd (formerly Solutions SK Ltd);
- Stockport Exchange Phase 2 Ltd; and
- Stockport Hotel Management Company Ltd.

In accordance with the Code, consideration has been given as to whether these entities should be consolidated in to the Council's Group Accounts. Totally Local Company Ltd and Stockport Homes Ltd accounts are consolidated into the Council's Group Accounts. The interest in Stockport Exchange Phase 2 Ltd and Stockport Hotel Management Company Ltd are not considered material therefore these accounts are not consolidated into the Council's Group Accounts.

Further detail on the Group entities and the Group Accounts can be found in the Group Accounts section of the Council's Statement of Accounts.

2018/19 Revenue Budget

At the Council meeting on 22 February 2018, the 2018/19 Revenue Budget was approved. The budget was set at £237.942m, with £165.254m being Cash Limit

budgets and £72.688m for Non-Cash Limit budgets. The following table sets out the approved budget for 2018/19.

Portfolio	2018/19 Approved Budget £000
Adult Social Care	67,261
Children and Family Services	27,655
Communities and Housing	22,416
Economy and Regeneration	2,562
Education	2,639
Health	15,990
Reform and Governance	26,731
Total (Cash Limits)	**165,254**
Pay Inflation	1,768
Superannuation (auto-enrolment)	1,770
Price Inflation/National Living Wage	3,141
Demand Pressures	866
Apprenticeship Levy	400
Stockport Together Risk Contingency	4,000
Growth and Reform	2,098
Non Cash Limits	58,645
Total (Non-Cash Limits)	**72,688**
TOTAL EXPENDITURE	**237,942**
Financed By	
Council Tax Requirement – General	139,654
Council Tax Requirement – Adult Social Care Precept	9,510
Business Rates Council Share	74,850
Business Rates Tariff	(7,809)
Business Rates Section 31 Grants	10,210
New Homes Bonus	1,554
Better Care Fund	3,111
Collection Fund 2016/17 Surplus	915
Collection Fund 2017/18 Deficit	(2,073)
Appropriation from Reserves	8,193
Appropriation to Reserves	(173)
TOTAL RESOURCES	**237,942**

The decision to raise Council Tax by 4.99% (including a 2% Adult Social Care Precept) in setting the 2018/19 budget was not taken lightly. The Council weighed up the impact this would have on Stockport residents whilst ensuring the Council's future financial sustainability and the provision of essential services particularly to the most vulnerable residents in the Borough. Furthermore careful consideration has been given to the level of contribution local taxation should make to support public services which Stockport residents rely on.

Ensuring the robustness of the Council's budget and medium term financial plan will help to mitigate the financial challenges ahead. The surplus position reported in these Statement of Accounts and the level of reserves and balances held

underpinned by the Council's Reserves Policy demonstrates the robustness of the Council's financial position over the medium term.

The Council remains committed to its Growth and Reform Programme to continue investment in the Borough to stimulate economic growth and generate income to support the delivery of services. Initially the focus will be on the further digitisation of services, working with communities, a joined up approach to property, problems and places and ensuring inclusive growth across the Borough. In doing this the Council is committed to piloting new approaches to reforming services to achieve its ambitions whilst building financial resilience and sustainability.

2018/19 Capital Programme

The three year Capital Programme 2018/19 to 2020/21 was approved at the Council meeting on 22 February 2018. Resources of £154.777m were allocated to capital schemes in 2018/19 and this now stands at £152.235m following a review and re-phasing of schemes at the 2017/18 financial year end. Significant capital schemes included in the 2018/19 Programme are:

- Highways with £59.425m of funding for schemes including SEMMMS A6 to Manchester Airport Relief Road scheme, Highways Investment Programme and the Town Centre Access Plan;
- Major regeneration schemes of £15.651m, including Markets and Underbanks, Merseyway redevelopment, Stockport Exchange Phase Three and final works at Redrock;
- Communities and Housing schemes make up £36.991m of the 2018/19 Programme, including funding of £31.556m for schemes relating to social housing improvement and new build schemes;
- Schemes relating to the Council's Asset Management Plan and re-provision of the Dialstone Facility totalling £15.073m; and,
- A strategic investment of £11.300m in Manchester Airport.

2017/18 NON FINANCIAL PERFORMANCE OF THE COUNCIL

Performance

The Council Plan is developed alongside the Council's Medium Term Financial Plan. This forms the basis of seven Portfolio Agreements which set out the detailed delivery plans for each Portfolio alongside the 2017/18 budgets, performance measures, policy drivers and risks. Portfolio Holders report on the progress in delivering these priorities and outcomes during the year, with the reports considered in detail by the relevant Scrutiny Committees.

A Corporate Report is also produced each quarter, setting out the Council's overall financial position along with a summary of the delivery against the key priorities and performance outcome measures. This report is considered by both the Cabinet and the Corporate and Resource Management and Governance Scrutiny Committee. The Annual Report for 2017/18 will be published in June 2018.

Overall, 2017/18 shows a similar position on performance against the outcome measures set in 2016/17; 71.6% of measures are on target or within an acceptable range, and of these 58.1% are improving or maintaining performance levels. Further analysis is contained within the Annual Report, highlighting any specific areas of concern and actions in place to address these.

Significant progress was made during 2017/18 in delivering on the Council's strategic priorities. A new business district at Stockport Exchange has surpassed all expectations, with the level of demand reflected by letting and occupancy levels. The next phase of Stockport Exchange will commence in spring 2018. The opening of Redrock at the heart of the town puts Stockport firmly on the map as a major leisure destination, along with investment in improving access to the Town Centre. In addition, exciting plans for renovation of Merseyway and improvements to Stockport Market are already in development. The year also saw the creation of the Viaduct Partnerships Ltd with Stockport Homes Ltd, helping to build much-needed affordable housing in the Borough.

These improvements are not just physical but will also benefit the financial position of the Council, with more visitors, businesses and new homes bringing more economic activity, jobs and council revenue. Alongside this, major progress has been made transforming services to meet the challenges of reduced funding and increasing demand. Integration of Stockport's health and social care services at a local level is being led by Stockport Neighbourhood Care, whilst the quality of children's services and taking a leading role in establishing a North West Adoption Agency has been acknowledged by OfSTED. Digital innovations across the Council are helping reduce costs and improve access to information and services, with the Digital by Design programme also achieving national recognition.

Achievements

The Council's key achievements over the last twelve months include:

- Over the last year, the Council has managed a £16 million saving requirement through budgeting to reform and protect services and investing in jobs and growth;
- Investment in Parks and Leisure, including investment in Grand Central Leisure Centre facilities to bring them back into full use;
- Ongoing investment to replace Stockport's 33,000 street lightbulbs with modern, greener, more efficient LED lightbulbs;
- Road safety around schools has been prioritised with funding to improve signage and road markings, and help train 6,000 young people in road safety;
- Viaduct Partnerships Ltd, Stockport's first ever council-owned housing partnership was launched in 2017 to help build much-needed affordable homes;
- The opening of a new cinema and leisure complex, Redrock, boosting the evening economy in the town centre;
- The first council-owned children's home in many years, Broadfields, was opened recently, improving services for vulnerable children and enabling them to remain in Stockport;

- The second phase of a new commercial quarter, Stockport Exchange, was completed, with the next phase agreed;
- The new Aurora industrial park close to the M60 was completed, making the most of derelict land and bringing new jobs to the area;
- New models of care have been developed through Stockport Together, along with the launch of an integrated locality service for health and social care, Stockport Neighbourhood Care;
- Following an OfSTED inspection in June 2017, Stockport's social care and safeguarding services for children and young people were rated as 'good' overall, with some examples of outstanding practice, notably in local adoption services; and
- The Digital by Design programme has gathered external recognition, including awards from the Local Government Chronicle and iNetwork for the innovative use of digital to transform services for residents.

Corporate Risks

Each Portfolio has identified significant risks to achieving objectives and delivering key projects. These are outlined in Portfolio Risk Registers, contained within the Portfolio Agreements, along with any emerging risks and controls in place to mitigate these risks.

A number of Corporate Risks have been identified at a strategic level, and these have been aligned with strategic risks from Portfolio Risk Registers to form the Corporate Risk Register. These risks are under regular review, with emerging risks identified and added in-year, along with risk descriptions and controls being updated. The Council includes an update on internal controls and mitigating actions for the risks in its quarterly Corporate Performance and Resources Report and provides a more detailed update for the Audit Committee to consider.

The Corporate Risks include:

- Governance – inadequate governance arrangements;
- Evidence Base – lack of a robust evidence base to support key decisions;
- Change Management – ability to manage and implement change effectively;
- External – ability to influence external factors;
- Financial – failure to deliver the Medium Term Financial Plan (savings targets and balanced budget);
- Delivering Growth – failure to deliver key strategic, regeneration and capital investment programmes;
- Digital Capacity – insufficient ICT infrastructure and capacity, and ability to withstand cyber attacks;
- Demand Pressures – inability to influence behaviour change resulting in demand and expectations continuing to rise;
- Health and Social Care Integration – financial resources and capacity are insufficient to deliver the strategic change programme and associated benefits to required timescales;
- School Places – insufficient supply of school places;
- Welfare Reform – failure to provide an integrated response to welfare reform and other major changes;

- Safeguarding – failure of safeguarding arrangements for children and vulnerable adults;
- Information Governance – failure to protect the Council's information assets including personal and sensitive personal data and other confidential data; and
- Fraud – failure to deter, address or identify fraud.
- Supplier and Partner Risk – Key suppliers and partners to significant projects and services unable to deliver on behalf of the Council.

Receipt of Further Information

This Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. The Council publishes its Budget and quarterly Performance and Resources Reports on the Council's website www.stockport.gov.uk.

If you would like to receive further information on these accounts, please contact me at Finance, Corporate and Support Services, Stockport Metropolitan Borough Council, Stopford House, Stockport, SK1 3XE.

MAIN CHANGES TO THE CORE FINANCIAL STATEMENTS AND SIGNIFICANT EVENTS AND TRANSACTIONS

There have been no changes to the Core Financial Statements in 2017/18.

Carillion Plc

On the 15 January 2018 winding up orders were placed against Carillion Plc and its associated companies which placed the companies in to liquidation. The company that the Council contract with, Carillion AMBS Ltd, was placed into provisional liquidation on 19 January 2018. The company went into full liquidation on 26 April 2018. To ensure the continuity of Public Services contracts, these contracts have continued to operate on a rolling basis. Price Waterhouse Coopers (PWC) have been appointed as special advisors to the liquidation process.

The Council has held a strategic partnership with Carillion AMBS Ltd for four years for the provision of estates management and property services across the Council's property estate. As Carillion AMBS Ltd was registered in Scotland, the company was initially placed in to provisional liquidation not full liquidation like its parent company Carillion Plc and a number of its associated companies. The Council started to develop a detailed contingency plan in summer 2017 when Carillion Plc made its first financial statement to the markets about the company's trading position. Since then the Council has continued to focus on critical areas to ensure the continuation of key property service functions and minimise the impact on the Council.

The Council is continuing to work with PWC and other partners to identify a solution which allows the continuation of services provided and minimises the impact to the Council. The Council will continue with a staged contingency plan until services are reshaped in to new models of delivery. The governance of this is being carefully managed at every point of decision making to ensure Members are fully briefed prior to progressing any elements of the contingency plan. As part of the 2017/18 year end closedown process, the Council has reviewed its exposure to any financial risk

relating to the Council's contract with Carillion AMBS Ltd and as a result ensured it has been prudent in accounting for amounts due to and from Carillion AMBS Ltd at the 31 March 2018.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities
The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Stockport Council, that Officer is the Borough Treasurer;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Approve the Statement of Accounts.

The Borough Treasurer's Responsibilities
The Borough Treasurer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
In preparing this Statement of Accounts, the Borough Treasurer has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent; and

- complied with the Code of Practice.

The Borough Treasurer has also:

- kept proper accounting records which were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Statement of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Stockport Metropolitan Borough Council at 31 March 2018, and its income and expenditure for the year ended 31 March 2018.

Michael Cullen
Borough Treasurer
18 July 2018

Approval of the Statement of Accounts

In accordance with the Accounts and Audit Regulations 2015, I hereby certify that the Audit Committee of the Stockport Metropolitan Borough Council approved the Statement of Accounts for the financial year ended 31 March 2018, at its meeting of 18 July 2018.

Councillor Stuart Corris
Chair of Audit Committee
18 July 2018

FINANCIAL STATEMENTS AND NOTES
TO THE CORE FINANCIAL STATEMENTS

Core financial statements are applicable to all local authorities whatever their function and comprise:

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure, repay debt or elect to use as revenue Transformation spend).

The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash

outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. This summarises the inflows and outflows of cash arising from both revenue (day to day) and capital (investment in new assets) transactions with third parties.

Group Accounts

The Group accounts are of equal status to the single entity accounts but to achieve a meaningful presentation to the reader of the accounts, they are positioned after the single entity financial statements and notes, starting at page 156.

Comprehensive Income and Expenditure Statement

	2017/18			2016/17			Notes
	Gross Exp-enditure £000	**Gross Income £000**	**Net Exp -enditure £000**	Gross Exp-enditure £000	Gross Income £000	Net Exp -enditure £000	
Adult Social Care	**134,268**	**(63,025)**	**71,243**	125,942	(55,516)	70,426	
Children & Family Services	**39,532**	**(7,786)**	**31,746**	32,553	(4,869)	27,684	
Communities & Housing	**63,115**	**(9,936)**	**53,179**	46,404	(9,861)	36,543	
Economy & Regeneration	**7,333**	**(2,826)**	**4,507**	8,086	(3,257)	4,829	
Education	**6,183**	**(2,894)**	**3,289**	6,014	(2,760)	3,254	
Health	**19,371**	**(2,942)**	**16,429**	18,814	(18,093)	721	
Reform & Governance	**50,912**	**(9,321)**	**41,591**	49,135	(8,658)	40,477	
Non Cash Limits	**119,569**	**(72,896)**	**46,673**	120,876	(76,461)	44,415	
Dedicated Schools Grant	**217,210**	**(200,863)**	**16,347**	226,226	(199,551)	26,675	
Housing Revenue Account	**27,212**	**(53,969)**	**(26,757)**	39,946	(54,788)	(14,842)	
Housing Revenue Account - Social Housing Adjustment Factor				(48,841)		(48,841)	
Cost Of Services	**684,705**	**(426,458)**	**258,247**	625,155	(433,814)	191,341	
Other Operating Expenditure	**819**	**0**	**819**	2,631	0	2,631	8
Financing and Investment Income and Expenditure	**60,677**	**(45,426)**	**15,251**	83,528	(45,414)	38,114	9
Taxation and Non-Specific Grant Income	**0**	**(292,168)**	**(292,168)**	0	(295,367)	(295,367)	10
(Surplus) or Deficit on Provision of Services	**746,201**	**(764,052)**	**(17,851)**	711,314	(774,595)	(63,281)	
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			**(77,320)**			(49,249)	
Re-measurement of the net defined benefit liability			**(27,672)**			22,224	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Available for Sale Financial Assets			**(8,200)**			(3,900)	
Other Comprehensive Income and Expenditure			**(113,192)**			(30,925)	
Total Comprehensive Income and Expenditure			**(131,043)**			(94,206)	

Movement in Reserves Statement

	General Fund Balance (Note a) £000	Housing Revenue Account (Note a) £000	Capital Receipts Reserve (Note b) £000	Major Repairs Reserve (Note b) £000	Capital Grants Unapplied (Note b) £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2016	(94,708)	(7,427)	(6,462)	0	(9,644)	(118,241)	(451,750)	(569,991)
Movement in reserves during 2016/17:								
Total Comprehensive Income and Expenditure	(3,685)	(59,596)				(63,281)	(30,925)	(94,206)
Adjustments between accounting basis and funding basis under regulations (Note 2)	3,325	60,643	(757)	0	740	63,951	(63,951)	0
(Increase)/Decrease in 2016/17	(360)	1,047	(757)	0	740	670	(94,876)	(94,206)
Balance at 31 March 2017 carried forward	(95,068)	(6,380)	(7,219)	0	(8,904)	(117,571)	(546,626)	(664,197)
Movement in reserves during 2017/18:								
Total Comprehensive Income and Expenditure	**6,275**	**(24,126)**				**(17,851)**	**(113,192)**	**(131,043)**
Adjustments between accounting basis and funding basis under regulations (Note 2)	**(8,059)**	**28,080**	**(930)**	**0**	**(196)**	**18,895**	**(18,895)**	**0**
(Increase)/Decrease in 2017/18	**(1,784)**	**3,954**	**(930)**	**0**	**(196)**	**1,044**	**(132,087)**	**(131,043)**
Balance at 31 March 2018 carried forward	**(96,852)**	**(2,426)**	**(8,149)**	**0**	**(9,100)**	**(116,527)**	**(678,713)**	**(795,240)**

Note a – Reserves held for revenue purposes
Note b – Reserves held for capital purposes
Details of schools reserves within earmarked reserves are set out in Note 7 to the Core Statements.
A breakdown of adjustments between the accounting basis and funding basis under regulations is set out in Note 2 to the Core Statements.

Balance Sheet

	31 March 2018 £000	31 March 2017 Restated* £000	Note
Property, Plant & Equipment			
- Council dwellings	**410,109**	382,372	
- other land and buildings	**529,856**	462,261	
- vehicles, plant, furniture and equipment	**16,396**	16,555	
- infrastructure	**195,130**	179,745	
- community assets	**1,717**	1,729	
- surplus assets not held for sale	**5,029**	5,035	
- assets under construction	**162,451**	114,013	
	1,320,688	1,161,710	11
Heritage Assets	**11,466**	12,826	12
Investment Property	**200,681**	195,491	13
Intangible Assets	**232**	475	14
Long Term Investments	**52,000**	43,800	38
Long Term Debtors	**60,824**	51,847	17b
Long Term Finance lease Debtors	**13,700**	13,700	17b, 35
Long Term Assets	**1,659,591**	1,479,849	
Assets Held for Sale (short term)	**586**	1,080	19
Inventories	**96**	133	
Cash and Cash Equivalents	**35,522**	40,280	18
Short Term Debtors	**80,275**	73,184	17a
Current Assets	**116,479**	114,677	
Bank Overdraft	**(34,324)**	(13,872)	18
Short Term Creditors	**(82,655)**	(74,382)	20a
Short Term Provisions	**(7,183)**	(3,032)	21
Short Term Borrowing	**(129,482)**	(112,364)	15a
Current Liabilities	**(253,644)**	(203,650)	
Long Term Creditors	**(12,229)**	(13,458)	20b
Long Term Provisions	**(6,465)**	(5,235)	21
Long Term Borrowing	**(411,859)**	(376,552)	15a
Other Long Term Liabilities - Net pensions liability	**(275,048)**	(308,175)	36
Other Long Term Liabilities - Finance leases	**(13,700)**	(13,700)	35
Revenue Grants Receipts in Advance	**(3,206)**	(4,072)	32
Capital Grants Receipts in Advance	**(4,679)**	(5,487)	32
Long Term Liabilities	**(727,186)**	(726,679)	
Net Assets	**795,240**	664,197	
Usable reserves	**(116,527)**	(117,571)	MIRS
Unusable Reserves	**(678,713)**	(546,626)	23
Total Reserves	**(795,240)**	(664,197)	

*See Note 18 for further information

These financial statements replace the unaudited statements certified on 31 May 2018.

Michael Cullen
Borough Treasurer
18 July 2018

Cash Flow Statement

	31 March 2018	31 March 2017	Note
	£000	£000	
Net (surplus) or deficit on the provision of services	**(17,851)**	(63,281)	
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation	**(41,357)**	(37,919)	
Impairment and revaluation	**7,399**	42,230	
Amortisations	**(243)**	(253)	
Increase/(Decrease) in Impairment for provision of bad debts	**(2,710)**	836	
(Increase) in creditors	**(10,124)**	(9,658)	
Increase in debtors	**12,554**	5,938	
Increase/(Decrease) in inventories	**(37)**	18	
Difference between IAS 19 pension cost and pensions paid	**5,455**	(13,499)	36
Carrying amount of non-current assets sold	**(8,182)**	(4,996)	
Movement in value of investment properties	**(2,204)**	(25,938)	
Movement in provisions	**(5,381)**	296	
	(44,830)	(42,945)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets	**6,872**	4,002	
Revenue expenditure funded from capital under statute	**(1,943)**	(6,019)	
Capital grants	**62,591**	79,813	
Net cash flows from Operating Activities*	**4,839**	(28,430)	
Investing Activities	**67,315**	149,881	24
Financing Activities	**(46,944)**	(124,242)	25
Net (increase) or decrease in cash and cash equivalents	**25,210**	(2,791)	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**26,408**	23,617	18
Cash and cash equivalents and bank overdraft at the end of the reporting period	**1,198**	26,408	18

*The following items are included within the operating activities:

	31 March 2018	31 March 2017
	£000	£000
Interest Received	**(2,317)**	(1,993)
Interest Paid	**16,332**	15,219
Finance lease interest paid	**1,137**	1,119
Dividends Received	**(4,813)**	(4,006)
Finance lease interest received	**(1,385)**	(1,358)

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes to the Core Financial Statements (continued)

1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax (and rent) payers how the funding available to the Council (i.e. government grants, rents, Council Tax and business rates) for the year has been used in providing services, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18	Reported Outturn £000	Non General Fund Accounts £000	Earmarked reserves £000	Net Expenditure Chargeable to the General Fund and HRA balances £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adult Social Care	70,394		(3,526)	66,868	4,375	71,243
Children & Family Services	28,717		364	29,081	2,665	31,746
Communities & Housing	23,163		(265)	22,898	30,281	53,179
Economy & Regeneration	2,715		1,168	3,883	624	4,507
Education	3,853		31	3,884	(595)	3,289
Health	16,412		(386)	16,026	403	16,429
Reform & Governance	28,256		2,694	30,950	10,641	41,591
Non Cash Limits	54,058		2,155	56,213	(9,540)	46,673
Dedicated Schools Grant		0	1,221	1,221	15,126	16,347
Housing Revenue Account		(105)	4,059	3,954	(30,711)	(26,757)
Net Cost Of Services	227,568	(105)	7,515	234,978	23,269	258,247
Other Income and Expenditure	(232,282)		(7,233)	(239,515)	239,515	0
Reported surplus	(4,714)					
Use of 16/17 surplus to fund 17/18 budget	3,575			3,575	(3,575)	0
Use of general fund surplus to top up earmarked reserves	3,132			3,132	(3,132)	0
Other Operating Expenditure				0	819	819
Financing and Investment Income and Expenditure				0	15,251	15,251
Taxation and Non-Specific Grant Income				0	(292,168)	(292,168)
Surplus or deficit	1,993	(105)	282	2,170	(20,021)	(17,851)
Opening General Fund and HRA Balances brought forward	(19,111)	(1,000)	(81,337)	(101,448)		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	1,993	(105)	282	2,170		
Closing General Fund and HRA Balances carried forward	(17,118)	(1,105)	(81,055)	(99,278)		

2016/17	Reported Outturn	Non General Fund Accounts	Earmarked reserves	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
Adult Social Care	68,394		688	69,082	1,344	70,426
Children & Family Services	25,060		1,964	27,024	660	27,684
Communities & Housing	23,849		(425)	23,424	13,119	36,543
Economy & Regeneration	2,801		336	3,137	1,692	4,829
Education	4,135		158	4,293	(1,039)	3,254
Health	17,046		197	17,243	(16,522)	721
Reform & Governance	28,088		1,338	29,426	11,051	40,477
Non Cash Limits	55,361		368	55,729	(11,314)	44,415
Dedicated Schools Grant		0	3,448	3,448	23,227	26,675
Housing Revenue Account		553	494	1,047	(64,730)	(63,683)
Net Cost Of Services	224,734	553	8,566	233,853	(42,512)	191,341
Other Income and Expenditure	(230,712)		(2,454)	(233,166)	233,166	0
Other Operating Expenditure				0	2,631	2,631
Financing and Investment Income and Expenditure				0	38,114	38,114
Taxation and Non-Specific Grant Income				0	(295,367)	(295,367)
(Surplus) or deficit	(5,978)	553	6,112	687	(63,968)	(63,281)
Opening General Fund and HRA Balances brought forward	(13,133)	(1,553)	(87,449)	(102,135)		
Less (Surplus)/ Deficit on General Fund and HRA Balance in Year	(5,978)	553	6,112	687		
Closing General Fund and HRA Balances carried forward	(19,111)	(1,000)	(81,337)	(101,448)		

Note to the Expenditure and Funding Analysis

This note explains the main adjustments from Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement:

2017/18 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Reclassification between Service Segments for CIES Note a £000	Adjustments for Capital Purposes Note b £000	Net Change for the Pensions Adjustments Note c £000	Other Differences Note d £000	Total Adjustments £000
Adult Social Care	0	696	3,679	0	4,375
Children & Family Services	0	160	2,505	0	2,665
Communities & Housing	(363)	29,517	1,127	0	30,281
Economy & Regeneration	(392)	390	626	0	624
Education	0	0	(595)	0	(595)
Health	67	0	336	0	403
Reform & Governance	2,430	3,718	4,493	0	10,641
Non Cash Limits	3,581	(13,551)	370	60	(9,540)
Dedicated Schools Grant	(859)	7,590	7,584	811	15,126
Housing Revenue Account	(5,272)	(25,439)	0	0	(30,711)
Net Cost Of Services	(808)	3,081	20,125	871	23,269
Other Income and Expenditure from the Funding Analysis	239,515	0	0	0	239,515
Use of 16/17 surplus to fund 17/18 budget	(3,575)				(3,575)
Use of general fund surplus to top up earmarked reserves	(3,132)				(3,132)
Other Operating Expenditure	0	(2,102)	0	2,921	819
Financing and Investment Income and Expenditure	1,065	5,692	8,494	0	15,251
Taxation and Non-Specific Grant Income	(233,065)	(60,729)	0	1,626	(292,168)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	0	(54,058)	28,619	5,418	(20,021)

2016/17 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Reclassification between Service Segments for CIES Note a £000	Adjustments for Capital Purposes Note b £000	Net Change for the Pensions Adjustments Note c £000	Other Differences Note d £000	Total Adjustments £000
Adult Social Care	0	385	959	0	1,344
Children & Family Services	(1)	62	599	0	660
Communities & Housing	(464)	13,307	276	0	13,119
Economy & Regeneration	(210)	1,733	169	0	1,692
Education	(1)	0	(1,038)	0	(1,039)
Health	(16,551)	0	29	0	(16,522)
Reform & Governance	5,228	4,745	1,078	0	11,051
Non Cash Limits	(588)	(10,793)	79	(12)	(11,314)
Dedicated Schools Grant	(786)	22,214	1,751	48	23,227
Housing Revenue Account	(5,540)	(59,190)	0	0	(64,730)
Net Cost Of Services	(18,913)	(27,537)	3,902	36	(42,512)
Other Income and Expenditure from the Funding Analysis	233,166	0	0	0	233,166
Other Operating Expenditure	0	775	0	1,856	2,631
Financing and Investment Income and Expenditure	2,360	26,157	9,597	0	38,114
Taxation and Non-Specific Grant Income	(216,613)	(76,527)	0	(2,227)	(295,367)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	0	(77,132)	13,499	(335)	(63,968)

Notes:

a. Reclassifications - this column represents reclassifications between headings reported to management and how items should be classified in the CIES. The main items include the transfer of funding from Other Income and Expenditure to Taxation and Non-specific Grant Income and the transfer of costs and income from Non Cash Limits and Reform and Governance to Financing and Investment Income and Expenditure (relating to interest and the investment estate).

b. Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses. It also adjusts for capital disposals and capital grant income. MRP and capital funding charged to revenue are deducted because as they are not chargeable under generally accepted accounting practices.

c. Adjustments for Pensions – this column removes employer pension contributions made by the Council as allowed by statute and replaces them with current service costs and past service costs. It also adds in the net interest on the defined pensions liability charged to the CIES.

d. Other adjustments – this column relates to differences between amounts payable/receivable under statute and amounts debited/credited to the CIES and amounts. It includes premiums and discounts on debt settlement, timing differences on Council Tax and Business Rates and the payment to the government housing receipts pool.

The adjustments in columns b to d are analysed in more detail in Note 2, Adjustments between Accounting Basis and Funding Basis under Regulations.

2. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council within the year to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure, in accordance with proper accounting practice.

2017/18	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non-current assets	(41,838)	7,880				(33,958)
Amortisation of intangible assets	(243)					(243)
Movements in the market value of investment properties	(2,204)					(2,204)
Revenue expenditure funded from capital under statute	(1,943)					(1,943)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,888)	1,577	(6,871)			(8,182)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	61,443	1,148			(196)	62,395
Statutory provision for the repayment of debt	9,099					9,099
Principal repayments for transferred debt	1,262					1,262
Voluntary provision for the repayment of debt	84	392				476
Capital expenditure financed from revenue balances	3,122	5,952				9,074
Posting of HRA resources from revenue to the Major Repairs Reserve		11,215		(11,215)		0
Total Adjustments for Capital Purposes	25,894	28,164	(6,871)	(11,215)	(196)	35,776
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(48,123)	(84)				(48,207)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,588					19,588
Total Adjustments for Pensions	(28,535)	(84)	0	0	0	(28,619)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			1,628			1,628
Use of the Capital Receipts Reserve to finance prior year capital expenditure			1,393			1,393
Use of the Major Repairs Reserve to finance capital expenditure				11,215		11,215
Cash payments in relation to deferred capital receipts			(1)			(1)
Total Adjustments to Capital Resources	0	0	3,020	11,215	0	14,235
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(2,921)		2,921			0
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	12					12
Council Tax and Business Rates (transferred to or from Collection Fund)	(1,626)					(1,626)
Holiday pay (transferred to the Accumulated Absences Reserve)	(883)					(883)
Total Adjustments for Other Differences	(5,418)	0	2,921	0	0	(2,497)
Total Adjustments	(8,059)	28,080	(930)	0	(196)	18,895

2016/17	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Adjustments for Capital Purposes						
Charges for depreciation, revaluation losses and impairment of non-current assets	(39,478)	43,789				4,311
Amortisation of intangible assets	(253)					(253)
Movements in the market value of investment properties	(25,990)	52				(25,938)
Revenue expenditure funded from capital under statute	(6,019)					(6,019)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,030)	1,036	(4,002)			(4,996)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement and applied to finance capital expenditure	79,428	386			740	80,554
Statutory provision for the repayment of debt	7,357					7,357
Principal repayments for transferred debt	1,192					1,192
Voluntary provision for the repayment of debt		4,170				4,170
Capital expenditure financed from revenue balances	2,261	338				2,599
Posting of HRA resources from revenue to the Major Repairs Reserve		10,893		(10,893)		0
Total Adjustments for Capital Purposes	16,468	60,664	(4,002)	(10,893)	740	62,977
Pensions Adjustments						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(33,590)	(21)				(33,611)
Employer's pensions contributions and direct payments to pensioners payable in the year	20,112					20,112
Total Adjustments for Pensions	(13,478)	(21)	0	0	0	(13,499)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure			818			818
Use of the Capital Receipts Reserve to finance prior year capital expenditure			574			574
Use of the Major Repairs Reserve to finance capital expenditure				10,389		10,389
Use of the Major Repairs Reserve to repay debt				504		504
Cash payments in relation to deferred capital receipts			(3)			(3)
Total Adjustments to Capital Resources	0	0	1,389	10,893	0	12,282
Other differences						
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(1,856)		1,856			0
Financial Instruments (transferred to (or from) the Financial Instruments Adjustment Account)	12					12
Council Tax and Business Rates (transferred to or from Collection Fund)	2,227					2,227
Holiday pay (transferred to the Accumulated Absences Reserve)	(48)					(48)
Total Adjustments for Other Differences	335	0	1,856	0	0	2,191
Total Adjustments	3,325	60,643	(757)	0	740	63,951

3. Expenditure and Income Subjective Analysis

	Council 2017/18 £000	**VA Schools** 2017/18 £000**	**Total 2017/18 £000**	Council 2016/17 restated £000	VA Schools 2016/17 £000	Total 2016/17 Restated* £000
Expenditure						
Employee Benefit Expenses	**241,344**	**25,941**	**267,285**	222,952	24,889	247,841
Other service expenses	**341,135**	**1,186**	**342,321**	334,851	1,246	336,097
Capital charges including depreciation and impairment	**34,127**		**34,127**	1,953		1,953
Financing and investment expenditure including interest	**60,677**		**60,677**	83,528		83,528
Levies	**40,972**		**40,972**	39,264		39,264
Payments to Housing Capital Receipts Pool	**2,921**		**2,921**	1,856		1,856
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**(2,102)**		**(2,102)**	775		775
	719,074	**27,127**	**746,201**	685,179	26,135	711,314
Income						
Fees, charges and other service income	**(117,237)**	**(1,645)**	**(118,882)**	(117,656)	(878)	(118,534)
Financing and investment income including interest	**(45,426)**		**(45,426)**	(45,414)		(45,414)
Income from Council Tax and Business Rates	**(216,217)**		**(216,217)**	(180,247)		(180,247)
Government grants and contributions (including donations)	**(358,045)**	**(25,482)**	**(383,527)**	(405,143)	(25,257)	(430,400)
	(736,925)	**(27,127)**	**(764,052)**	(748,460)	(26,135)	(774,595)
	(17,851)	**0**	**(17,851)**	(63,281)	0	(63,281)

* See note 32 Grant Income

** Voluntary aided school employees are not the employees of the Council but of the schools' Governing Bodies. Consequently, the employee benefit expenses and other transactions of voluntary aided schools have been disclosed separately.

4. Critical Judgements in Applying Accounting Policies and Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies set out in Note 40, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Details about the accounting policies made and how these have been applied are set out in Note 40 and throughout the Notes to the accounts. Details are given below of the critical judgements made in the Statement of Accounts where there is no appropriate Note in which to include it.

Manchester Airport Group
The Council's shareholding in the Manchester Airport Group in 2017/18 is 3.22% of the airport's capital. The asset is held at fair value and a valuation must be carried out annually.

A firm of financial experts and valuers has been engaged by the Council to provide an independent valuation, which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group.

Various methods of measuring fair value of the airport have been considered by the financial experts and valuers, including earnings-based, discounted cash flow, net asset value and dividend yield methods. They consider that, based on nature and size of the Group, the earnings based is the most appropriate for 2017/18. The valuation provided is based on estimations and assumptions and therefore, should the Council sell its shareholding, the value held in these statements may not be realised.

Accounting for Schools
There are currently four types of schools within the Borough, maintained schools, i.e. Community Schools, Voluntary Controlled Schools (VC) and Voluntary Aided Schools (VA), and non-maintained schools, Academy Schools.

In line with the Code of Practice and accounting standards, all maintained schools are now considered to be entities controlled by the Council. Rather than produce group accounts, the Code requires the income, expenditure, assets and liabilities, reserves and cash flows of each school to be recognised in the Council's single entity accounts.

All maintained school accounts are operated in accordance with the Council's general accounting policies as per the Statement of Accounts. All school activity is accounted for in the year that it takes place and not simply when cash payments are made or received (i.e. the accruals concept). All schools have a local bank account facility as permitted under the Stockport Scheme for Financing Schools, thereby allowing schools to procure all non-staffing activity direct with suppliers. All such expenditure is collated from schools on a monthly basis and is input into the Council's financial system.

All school expenditure is funded directly by the Dedicated Schools Grant (DSG) allocation and other school specific grants provided by the Department for Education

(DfE) and no additional Council resources are allocated. Any year end surplus or deficit reported on either an individual school or within the DSG centrally retained funds are permitted to be carried forward and are recorded in the appropriate council reserve account at year end.

Expenditure and income are recorded in the Dedicated Schools Grant reporting line in the Comprehensive Income and Expenditure Statement.

Academies are directly funded by central government (DfE), they are self-governing and are independent of direct control by the Council. They are not classed as maintained schools. No expenditure or income relating to academy schools is recorded in the Council's Financial Statements.

Accounting for Schools non-current assets

The Accounting Code of Practice contains guidance on the recognition of schools non-current assets in the Council's Balance Sheet. It stipulates that assets should be recognised if they meet the appropriate recognition criteria for the Council.

The Council has reviewed the various arrangements that it has with schools on a case by case basis. The decision as to whether the school is recorded on the Council's Balance Sheet is determined by the ownership of the asset and the rights and obligations the legal owner has over the asset.

An analysis of the number of schools by type is shown below:

Type of School	Nursery Schools	Primary schools	Secondary Schools	Special Schools	**31 March 2018 Total**	31 March 2017 Total	On/Off balance sheet
Community	5	54	5	6	**70**	71	On
Voluntary Controlled		8			**8**	8	Off
Voluntary Aided		17	3		**20**	20	Off
Maintained Schools	5	79	8	6	98	99	
Academies		5	5		**10**	9	Off
Total	**5**	**84**	**13**	**6**	**108**	108	

Community Schools

All Community Schools are owned by the Council, with the associated rights and obligations in relation to these belonging to the Council. As a result the land and buildings used by the schools are included in the Council's Balance Sheet. The exception to this is the PFI school noted below.

The value of Community schools within the other land and buildings category of non-current assets is £353m at 31 March 2018 (£297m at 31 March 2017).

Capital expenditure on Community Schools, whether a Council led scheme or a school directly funded scheme, is recorded as spend against the relevant school asset (or plant and equipment).

Voluntary Controlled (VC) and Voluntary Aided (VA) Schools

Legal ownership of the Council's VC and VA schools rests with a Diocesan Trustee Body or an independent Trustee body in the case of one VA school. The rights and obligations associated with these assets rest with the Trustees, for example, the schools occupy the premises subject to the direction of the Trustees and all decisions relating to the land and buildings rest with the Trustees. There has been no assignment of rights to the schools who occupy premises under an informal licence arrangement, which passes no interest to the Council and is terminable by the Trustees at any time.

Under these arrangements the Council does not include any VC or VA schools on its Balance Sheet. The exception to this is school playing fields which are usually owned by the Council with the Council having the associated rights and obligations in connection with ownership of the assets. These are included on the Council's Balance Sheet.

Capital expenditure on VC Schools, whether a Council led scheme or a school directly funded scheme, is recorded as Revenue Expenditure Funded from Capital Under Statute (REFCUS).

Capital expenditure on VA Schools does not normally form part of the Council's capital programme, being accounted for directly by the relevant Trustee or Diocesan Body. However there has been one recent Council led scheme for a major rebuild of a new VA school in Heaton Chapel. This scheme has been accounted for as REFCUS.

Academies

Academies are not recorded in the Council's Balance Sheet. The freehold land on which the schools are located is owned by the Council and 125 year leases at peppercorn rents have been granted to the relevant charitable bodies now responsible for running the schools.

When a school which is held on the Council's Balance Sheet transfers to academy status, this is treated as a disposal for nil consideration in the year that the transfer takes place, rather than as an impairment on the date that approval to academy status is announced. The Accounting Code of Practice effectively treats this as a disposal of a group entity to be accounted for in the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

Priority Schools Building Programme

During 2016/17, three schools (two primary and one secondary) were built under the Priority School Building Programme (PSBP), funded directly by the Secretary of State for Education. The delivery of the PSBP was managed by the Education Funding Agency (EFA).

Two schools were delivered using capital grant funding and one was delivered under a Private Finance Initiative (PFI) contract. The EFA has entered into delivery contracts, using its Contractor Framework, for the building contracts.

The schools that were delivered using grant funding were recognised in 2016/17 within non-current assets as donated assets, initially at build cost, with a corresponding grant entry in the Comprehensive Income and Expenditure Statement: Taxation and Non-specific Grant Income and Expenditure for £18.452m. The schools were then revalued to current value.

The school that was delivered under the PFI contract was not recognised on the Balance Sheet. The approximate value of this school was £3m.

In this case, the contract between the Education Funding Agency and the Contractor covers the design and building of the new school and the life-cycling of the building fabric for 25 years, including any variances under the contract. The school makes an annual contribution to the hard facilities management costs and this is charged to revenue. It is considered that as the Council does not control the setting of fees and charges it does not exercise control over the asset for recognition purposes.

Stockport Exchange Multi-Storey Car Park
In March 2013, the Council entered into a series of agreements (leases) to enable the development of a multi-storey car park on the Stockport Exchange site. The development was completed in February 2014 when the lease agreements were triggered.

The agreements comprise separate but linked transactions to establish the operating and finance leases for the land and buildings elements of the site.

Essentially the land element of this arrangement is dealt with under operating leases, which means that it is not required to be recognised as an asset in the Council's Balance Sheet and the rents payable and receivable are revenue transactions. However, the multi-storey car park building is considered to be a finance lease. The lease transactions are disclosed within the Leases note (Note 35) to the Core Statements.

Local Authority Mortgage Scheme
During 2013/14 the Council implemented its Local Authority Mortgage Scheme (LAMS). LAMS is aimed at first-time buyers and, under the scheme, the Council provides a guarantee for a portion of the deposit required by banks. The Council deposited £2m with Lloyds Bank over five years, which is equivalent to the limit of the guarantee being given.

In line with the Council's Minimum Revenue Provision (MRP) Policy, MRP is not being charged for the prudential borrowing used to fund the LAMS deposit as the debt liability will be met from the capital receipt which will be released when the deposit matures in five years (in 2018/19). A reserve has been established to meet any repossession losses that may occur.

Pensions liability
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected

returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.

More information on the Pensions Liability can be found at Note 36, Pensions – Accounted for as Defined Benefit Pension Schemes.

Pension Guarantees

For strategic and/or operational reasons, the Council has provided a number of admission agreements to the Greater Manchester Pension Fund (GMPF) to a number of organisations (admission bodies). Each admission body manages the funding of its section of the pension fund through the payment of pension contributions. Each of the admission agreements are underpinned by a pension guarantee from the Council. As guarantor the Council would be required to make good any costs incurred by GMPF as a result of an admission body being unable to meet its pension costs (i.e. if the admission body is unable to pay benefits to its members) as a result of premature termination by reason of insolvency, winding up or liquidation.

Thus the pension guarantee is only activated by GMPF when an admission body is unable to pay and all other cost recovery options have been exhausted. At this point GMPF would activate the guarantee and ask the Council to fund the outstanding costs. However, it is unlikely that these costs would ever crystalise resulting in a payment by the Council to GMPF. There are a number of options available to the Council but it is likely that the pension assets and liabilities of the admission body would be absorbed into the Council's section of the pension fund. Doing this allows GMPF to value the admission body's pension assets and liabilities on a more optimistic going concern (ongoing) valuation basis. This valuation basis will result in an improved pension fund position being absorbed by the Council than what the Council would be required to pay to GMPF, making it the most likely option in this scenario.

On this basis the Council considers treating the pension guarantees it has given to admission bodies, as a contingent liability, to be the most appropriate accounting treatment. That is a liability which may be incurred as a result of an uncertain future event; the activation of the pension guarantee by GMPF and the Council's decision as to how it wishes to fund any costs.

More information on the Council's pension guarantees can be found at Note 37, Contingent Assets and Liabilities.

Stockport Exchange Phase 2 SPV

Stockport Exchange Phase Two was the hotel and office block development at Stockport Exchange, which was completed in December 2016. As part of the arrangement, there was a put/call option that would be exercised if MUSE failed to find a buyer for either the hotel or offices, or both upon completion. Subsequently, the Council purchased Stockport Exchange Phase 2 SPV for £1 following the exercise of the option, surrendered the leases it had with the SPV transferring the assets to its Balance Sheet, and established a separate trading company to facilitate the hotel operation. The purchase of the share capital in the SPV for £1 is recognised as an Investment asset at £1.

There are minimal transactions remaining in the SPV. The Council has guaranteed to meet any final items of expenditure and there was £0.016m in the 2017/18 capital programme to meet the remaining costs. The audited SPV Statement of Accounts to the period ended 31 December 2017 show a turnover of £nil (31 December 2016 £19.766m of which £18.957m represented the value of the hotel and assets transferred to the Council).

Although, the SPV is a wholly owned company of the Council, based on qualitative and quantitative assessments, the interest in the company is not considered material for consolidation into the Group Accounts. Information is material if omitting it or misstating it could influence the decision or view that users of accounts make, on the basis of financial information about a specific reporting entity.

Once all transactions are complete, the SPV will become a dormant company and ultimately be wound up.

Stockport Hotel Management Company Ltd

On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council has provided £0.100m of share capital. Interstate Ltd has been appointed to operate the Hotel under the Holiday Inn Express franchise and it opened for business in December 2016.

The Hotel is being leased by the Council to Stockport Hotel Management Company Ltd. The lease is for 15 years running from 19 December 2016 until 18 December 2031. The rent is comprised of a five year stepped base rent topped up by 55% of profits earned above those projected. The Council has considered the conditions of the lease and concluded that the risks and rewards of ownership remain with the Council, largely because of the short-term lease and variable rental income and so has determined the lease to be an operating lease.

As a wholly owned company, the Council must consider consolidating Stockport Hotel Management Company Ltd within its Group accounts. The cash flow projections for the Company show a turnover ranging from £1.717m to £2.297m in the first five years. Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council's Group Accounts for 2017/18.

Property, Plant and Equipment

The valuation of the Council's Property, Plant and Equipment (PPE) is a significant area of estimation uncertainty. If the actual values differ from the assumptions used to value PPE, there is a risk of material adjustment to the carrying value of PPE within the next financial year. A reduction in estimated valuation would result in a reduction to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. An increase in estimation valuation would result in an increase in the Revaluation Reserve and/or gain recorded in the Comprehensive Income and Expenditure Statement. As an example, the impact of a 10% change in the valuation of the Council's operational property would be

£93.997m. Note 11, Property, Plant and Equipment, to the accounts sets out the Council's approach to valuation of its PPE.

5. Material items of Income and Expenditure

School transferring to Academy Status

Bredbury Green Primary School transferred to academy status on 1 September 2017.

The resulting loss on disposal amounting to £3.49m is disclosed within the Finance and Investment Income and Expenditure note. There is no impact on the General Fund as the loss is reversed out in the Movement in Reserves Statement.

Revaluation gain on HRA council dwellings
The revaluation gain on HRA non-current assets calculated under proper practices included £48.8m in 2016/17 relating to the increase in the social housing adjustment factor from 35% in 2015/16 to 40% in 2016/17. This was reported as an exceptional item on the face of the Comprehensive Income and Expenditure Statement. The gain offsets previous impairments losses that were reported in the CIES under the same heading.

There has been no change to the social housing adjustment factor in 2017/18.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue on 18 July 2018 by the Borough Treasurer. This is the date up to which events after the balance sheet date have been considered and included where relevant.

There is one non-adjusting event after the balance sheet date as detailed below:

School transferring to Academy Status

Meadowbank Primary school transferred to academy status on 1 April 2018. There will be a loss on disposal of £8.090m which will be reported in the 2018/19 accounts.

7. Earmarked Reserves within General Fund and HRA Balances

The Council has a number of earmarked reserves, which represent sums set aside over the years for specific purposes. These are listed in the table below. With the exception of school and HRA reserves, these reserves are regarded as usable for General Fund purposes.

The Council's Reserves Policy ensures the level and use of the earmarked reserves are linked to the Council's corporate and strategic priorities.

	Balance at 31 March 2017 £000	Increase/ Reduction in year £000	Reclassific-ations in year £000	**Balance at 31 March 2018 £000**
Primary Schools	(8,104)	52	0	**(8,052)**
Secondary Schools	(1,611)	935	0	**(676)**
Special Schools	(708)	(94)	0	**(802)**
Other School Balances less than £0.5m	(202)	(22)	0	**(224)**
School Balances under Local Management Total	**(10,625)**	**871**	**0**	**(9,754)**
DSG Total	**(2,008)**	**484**	**0**	**(1,524)**
Schools Reserves Total	**(12,633)**	**1,355**	**0**	**(11,278)**
Transformation - Invest to Save Reserve	(9,414)	585	608	**(8,221)**
Transformation - Double Running Reserve	(2,960)	0	0	**(2,960)**
Workforce Investment/Change Reserve	(4,500)	(971)	0	**(5,471)**
Airport Reserve	(1,245)	0	0	**(1,245)**
Capital Programme Investment Reserve	(7,435)	844	742	**(5,849)**
Corporate Property Reserve	(1,478)	0	0	**(1,478)**
Infrastructure Investment Reserve	(2,001)	0	0	**(2,001)**
Digital by Design Reserve	(2,573)	2,189	0	**(384)**
Health and Social Care Integration Reserve	(3,055)	(2,359)	0	**(5,414)**
Equipment Refresh Reserve	(1,999)	111	442	**(1,446)**
Waste Smoothing Reserve	(1,800)	(2,000)	0	**(3,800)**
Traded Services Reserve	(580)	0	0	**(580)**
Devolution Reserve	(500)	0	0	**(500)**
Children's Reserve	(1,320)	95	0	**(1,225)**
Adults Reserve	(653)	(822)	0	**(1,475)**
Demand Changes Reserve	(712)	0	0	**(712)**
Insurance Reserve	(10,000)	0	0	**(10,000)**
Collection Fund Reserve	(3,748)	(4,292)	0	**(8,040)**
Legislative and Statutory Requirements Reserve	(777)	49	0	**(728)**
Third Party Monies Reserve	(2,275)	(1,163)	7	**(3,431)**
Area Committee Reserves	(550)	(60)	0	**(610)**
Revenue Grant Reserve (includes ringfenced reserves)	(1,338)	(440)	0	**(1,778)**
RCCO	(1,766)	3,032	(1,799)	**(533)**
Directorate Flexibility Reserve - Place	(171)	(16)	0	**(187)**
Directorate Flexibility Reserve - People	(224)	86	0	**(138)**
Directorate Flexibility Reserve - CSS	(250)	0	0	**(250)**
General Fund Earmarked Reserves	(63,324)	(5,132)	0	**(68,456)**
Schools and General Fund Earmarked Reserves	(75,957)	(3,777)	0	**(79,734)**
HRA Earmarked reserves	(5,380)	4,059	0	**(1,321)**
All Earmarked Reserves Total	(81,337)	282	0	**(81,055)**
Comparative figures for previous year	(87,449)	6,112	0	**(81,337)**

8. Other Operating Expenditure

	2017/18 £00	2016/17 £000
(Gains)/losses on the disposal of non-current assets	**(2,177)**	775
Impairment of non-current asset for sale	**75**	0
Payments to the Government Housing Capital Receipts Pool	**2,921**	1,856
Total	**819**	2,631

9. Financing and Investment Income and Expenditure

	2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net £000	2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net £000
Interest payable and similar charges	**17,870**	**0**	**17,870**	17,297	0	17,297
Net interest on the net defined benefit liability	**30,584**	**(22,090)**	**8,494**	34,797	(25,200)	9,597
Interest receivable and similar income	**0**	**(3,702)**	**(3,702)**	0	(3,316)	(3,316)
Income and expenditure in relation to investment properties and changes in their fair value	**8,071**	**(14,495)**	**(6,424)**	30,675	(12,319)	18,356
Gains/ losses on trading accounts	**664**	**(326)**	**338**	759	(573)	186
Other investment income		**(4,813)**	**(4,813)**	0	(4,006)	(4,006)
Loss on disposal of academies	**3,488**	**0**	**3,488**	0	0	0
Total	**60,677**	**(45,426)**	**15,251**	83,528	(45,414)	38,114

10. Taxation and Non-Specific Grant Income

	2017/18 £000	2016/17 £000
Capital grants and contributions	**(60,729)**	(58,075)
Capital grants and contributions - donated assets	**0**	(18,452)
Council Tax income	**(142,255)**	(132,457)
Business Rates	**(73,962)**	(47,790)
Non-ringfenced government grants	**(15,222)**	(38,593)
Total	**(292,168)**	(295,367)

11. Property, Plant and Equipment

Movements in 2017/18

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction* £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2017	392,709	495,511	37,514	280,110	2,005	11,034	114,013	1,332,896
Additions	20,671	21,043	2,762	17,434			59,006	120,916
Revaluation increases/ decreases to Revaluation Reserve	1,573	66,772						68,345
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	9,046	(10,901)						(1,855)
Impairment losses to Surplus or Deficit on the Provision of Services		(7,466)						(7,466)
Derecognition - Disposals	(4,129)	(3,709)	(8)					(7,846)
Reclassifications & Transfers	904	2,276	73	7,900			(10,568)	585
Other Movements **			(2,881)					(2,881)
At 31 March 2018	**420,774**	**563,526**	**37,460**	**305,444**	**2,005**	**11,034**	**162,451**	**1,502,694**
Accumulated Depreciation and Impairment								
At 1 April 2017	(10,337)	(33,250)	(20,959)	(100,365)	(276)	(5,999)		(171,186)
Depreciation Charge	(10,700)	(17,548)	(2,988)	(9,949)	(12)	(6)		(41,203)
Depreciation written out to Revaluation Reserve	190	10,161						10,351
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	10,049	6,457						16,506
Impairment losses to Surplus or Deficit on the Provision of Services		289						289
Derecognition - Disposals	133	221	2					356
Reclassifications & Transfers								0
Other Movements **			2,881					2,881
At 31 March 2018	**(10,665)**	**(33,670)**	**(21,064)**	**(110,314)**	**(288)**	**(6,005)**	**0**	**(182,006)**
Net Book Value								
At 31 March 2018	**410,109**	**529,856**	**16,396**	**195,130**	**1,717**	**5,029**	**162,451**	**1,320,688**
At 1 April 2017	382,372	462,261	16,555	179,745	1,729	5,035	114,013	1,161,710

*Assets under construction include the A6 to Manchester Airport Relief Road and the Highways Town Centre Access Package schemes.
**Fully depreciated and decommissioned assets which have been de-recognised.

Movements in 2016/17

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction* £000	**Total Property, Plant and Equipment £000**
Cost or Valuation								
At 1 April 2016	330,906	465,969	36,257	263,808	2,005	13,520	76,178	1,188,643
Additions	10,573	8,972	1,166	17,033			53,042	90,786
Donations (Note 4)		18,452						18,452
Revaluation increases/ decreases to Revaluation Reserve	5,876	9,505						15,381
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	47,769	(1,536)						46,233
Impairment losses to Surplus or Deficit on the Provision of Services		(7,534)						(7,534)
Derecognition - Disposals	(1,755)	(1,953)						(3,708)
Reclassifications & Transfers	(660)	3,695	91	3,671		(2,486)	(15,207)	(10,896)
Other Movements **		(59)		(4,402)				(4,461)
At 31 March 2017	392,709	495,511	37,514	280,110	2,005	11,034	114,013	1,332,896
Accumulated Depreciation and Impairment								
At 1 April 2016	(7,994)	(47,431)	(17,913)	(95,632)	(264)	(7,479)	0	(176,713)
Depreciation Charge	(10,385)	(15,243)	(3,046)	(9,135)	(12)	(6)		(37,827)
Depreciation written out to Revaluation Reserve	1,054	32,645						33,699
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	6,913	(4,524)						2,389
Impairment losses to Surplus or Deficit on the Provision of Services		1,142						1,142
Derecognition - Disposals	75	102						177
Reclassifications & Transfers						1,486		1,486
Other Movements **		59		4,402				4,461
At 31 March 2017	(10,337)	(33,250)	(20,959)	(100,365)	(276)	(5,999)	0	(171,186)
Net Book Value								
At 31 March 2017	382,372	462,261	16,555	179,745	1,729	5,035	114,013	1,161,710
At 1 April 2016	322,912	418,538	18,344	168,176	1,741	6,041	76,178	1,011,930

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*Assets under construction include the A6 to Manchester Airport Relief Road and the Highways Town Centre Access Package schemes.
**Fully depreciated and decommissioned assets which have been de-recognised.

Revaluations

The valuation of the freehold and leasehold properties which comprise the Council's property portfolio was carried out by Mr Ian Keyte, MRICS, who is employed by the Carillion Group, a company which provides property services to the Council.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Properties which are valued at current value are formally valued under a five year rolling programme, with annual desk top reviews in the intervening period, to ensure that carrying values do not differ materially from current values at the balance sheet date.

HRA properties were valued as at 1 April 2015 in line with updated CLG guidance "Stock Valuation for Resource Accounting – Guidance for Valuers – 2010". This guidance was updated during 2016/17. Valuations have been updated during the year in line with house price indices.

Valuation bases of property, plant and equipment are set out in the Statement of Accounting Policies.

The Council's surplus assets comprise mainly land sites which have been valued at fair value reflecting highest and best use based on prevailing planning policy.

In the main the valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole. The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report.

The exception to this is in-year expenditure on assets, which is analysed by the valuer at the end of the financial year. Some expenditure is added to asset values, where in the opinion of the valuer, it adds some value to the asset. Other expenditure is written off as an impairment during the year, where in the opinion of the valuer it does not add value to the asset. All assets will be 'officially' revalued, taking this expenditure into account during the five year rolling programme of revaluations.

In accordance with the Code of Practice, the Council has charged depreciation on its property, plant and equipment to the Comprehensive Income and Expenditure Statement, regardless of the maintenance regime on any individual asset.

The following table illustrates the life of the assets for each category type, as adopted by Stockport Metropolitan Borough Council (other than freehold land and assets under construction which are not depreciated). Depreciation is calculated on a straight line basis.

Category	**Life of Asset**
Housing Stock	Buildings 15 – 70 years for components, 150 years residual value
Other Buildings	Buildings 40 years
Vehicles, Plant and Equipment	Plant 10 years Equipment / IT 5 years Solar Panels (council dwellings) 25 years
Infrastructure	Bridges 40 years Highways 25 years Playgrounds 25 years
Community Assets	40 years

From 1 April 2010 there has been a requirement to apply component accounting in order to calculate depreciation on assets within Property, Plant and Equipment, to accurately reflect the cost of use of the assets. This means that each part of an item of Property, Plant and Equipment, with a cost that is significant in relation to the cost of the item, shall be depreciated separately. In practice this has been achieved by applying a de minimis limit to individual asset values within the Property, Plant and Equipment category of £1m. Below this limit componentisation has been considered not to have a material effect on depreciation charges.

All assets are split into buildings and land (which is not depreciated). Buildings over the £1m threshold which have been revalued since 1 April 2010, have been further subdivided into components of structure, services and roof. They have been valued on an average asset life basis, which averages typical costs of the components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 - 40 years, compared to the normal life expectancy of buildings of 40 years.

The Council's housing stock has been analysed into significant identifiable components for depreciation purposes. The building components have been depreciated over the useful lives as noted above.

The table below shows the progress of the Council's rolling programme for the revaluation of property, plant and equipment. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Valued at historical cost:		435	16,396	195,130	1,717		162,451	376,129
Valued at current value in:								
2017/18	410,109	455,235						865,344
2016/17		9,640						9,640
2015/16		34,562				2,229		36,791
2014/15		16,434				2,800		19,234
2013/14		13,550						13,550
Total Fixed Assets	**410,109**	**529,856**	**16,396**	**195,130**	**1,717**	**5,029**	**162,451**	**1,320,688**

Capital Commitments

Capital works are normally planned and carried out over a number of years. At 31 March 2018 the Council had £21.8m which had been contracted for. These works include further phases of schemes which are already in progress as well as other planned schemes which have not yet been started.

	2017/18 £000	2016/17 £000
Housing schemes - affordable housing and new builds	**9,026**	10,772
Highways - A6 to Manchester Airport Relief Road	**4,139**	3,603
Highways Town Centre Access Package	**3,325**	5,197
Other Highways, Regeneration and Environmental Works	**2,366**	2,082
Repairs and improvements to other Council properties	**1,604**	1,417
Stockport Exchange Phase 3	**551**	0
Market and Underbanks	**352**	404
Improvements to schools - Other	**143**	49
Redrock	**117**	1,636
Brinnington Sports Centre	**86**	5,238
Aurora Stockport	**66**	4,529
Improvements to schools – New builds and expansions	**0**	1,401
ICT projects	**0**	15
Total	**21,775**	36,343

12. Heritage Assets

Movements in 2017/18

	Properties and monuments £000	Fine and Decorative Art £000	Social and Industrial History £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation					
At 1 April 2017	**6,633**	**5,836**	**666**	**724**	**13,859**
Additions	**161**				**161**
Transfers	**9**				**9**
Insurance revaluations		**(960)**	**(416)**		**(1,376)**
At 31 March 2018	**6,803**	**4,876**	**250**	**724**	**12,653**
Accumulated Depreciation and Impairment					
At 1 April 2017	**(1,033)**				**(1,033)**
Depreciation Charge	**(154)**				**(154)**
At 31 March 2018	**(1,187)**	**0**	**0**	**0**	**(1,187)**
Net Book Value					
At 31 March 2018	**5,616**	**4,876**	**250**	**724**	**11,466**
At 1 April 2017	5,600	5,836	666	724	12,826

Movements in 2016/17

	Properties and monuments £000	Fine and Decorative Art £000	Social and Industrial History £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation					
At 1 April 2016	4,485	5,805	666	527	11,483
Additions	873	59			932
Transfers	1,275				1,275
Insurance revaluations		(28)		197	169
At 31 March 2017	6,633	5,836	666	724	13,859
Accumulated Depreciation and Impairment					
At 1 April 2016	(941)				(941)
Depreciation Charge	(92)				(92)
At 31 March 2017	(1,033)	0	0	0	(1,033)
Net Book Value					
At 31 March 2017	5,600	5,836	666	724	12,826
At 1 April 2016	3,544	5,805	666	527	10,542

The Council's Heritage Assets comprise:

Properties and monuments

These comprise properties which are considered to be held and maintained principally for their contribution to knowledge and culture and are reported at historical cost. The most significant asset by value is Staircase House, a Medieval Town House with a Jacobean staircase, which had a net book value of £3.1m at 31 March 2018. This property underwent a major restoration in the period up to 2005, at a cost of around £3m.

Bramall Hall, a Tudor manor house, has undergone an extensive restoration in 2016/17 and 2015/16 at a cost of around £2m, mostly funded from a grant from the Heritage Lottery Fund. Improvements have been made to the historic rooms, architecture and fabric of the building.

Collections

There are various collections which are exhibited or stored at the Council's museums, halls and the art gallery and are reported at insurance valuation. The collections comprise:

1. Fine and decorative arts;
2. Social and industrial history;
3. Civic Regalia.

The fine and decorative arts collection comprises several paintings, which were donated by a local benefactor, John Benjamin Smith in 1879, valued at approximately £1m.

The social and industrial history collection is very diverse and comprises many objects with negligible market values but which have important heritage status and historical value.

In addition, the Council has a small collection of natural history and archaeological items which have no cost or valuation information and are not recognised in the Balance Sheet.

Insurance valuations for collections were prepared in 2010/11 in conjunction with Art and Antiques Appraisals Ltd. Certain assets have since been subject to revised insurance valuations by various experts.

The insurance valuation was amended during 2017/18 to insure only specified objects over £5,000. This has reduced the overall value of the insured assets resulting in a downward revaluation.

Preservation and Management

Buildings, statues, memorials and monuments

The Council has responsibility for a number of heritage resources such as buildings, statues, memorials and monuments, which are all managed by a number of different departments and the Council's asset management company Carillion AMBS Ltd. The Council has responsibility, as owner of these assets, to keep them in a good state of repair. The Council has a Conservation and Heritage Strategy policy framework, which aims to ensure that the borough's finite heritage assets are preserved and enhanced. The definition of heritage assets in this document is much wider than the accounting definition used for the Statement of Accounts.

Conservation Area Management Plans have sought to bring together internal services to provide a more corporate and joined up approach to dealing with conservation matters. Conservation and heritage matters overlap and integrate with many Council services and responsibilities including tourism, economic development, leisure, education, highways, planning etc. It is the Council's aim to ensure that Council and non-Council owned and managed heritage assets have appropriate conservation and management plans in place and recognition of the resources needed to implement these. The Stockport Historic Environment Database contains information on statutory and locally listed buildings, conservation areas, Article 4 directions, scheduled monuments and registered historic parks and gardens. Policies on strategic management of properties, including additions and disposals, are set out in the Corporate Asset Management Plan and Estates Strategy.

Collections

The Council's museum service has a proactive programme of professional collections management to ensure the collections are properly cared for and safeguarded for future generations.

All museum sites in Stockport have attained accredited status, the national standard to ensure the professional care and use of museum collections. All collections

management is carried out in conjunction with the recommended procedures, guidelines and policies, which have all been adopted and are rigidly adhered to.

Stockport Council has a Collections Management Plan which outlines a five year plan for the effective management of the collections and this incorporates an acquisition and disposal policy clearly outlining the criteria and procedures for acquiring new material into the collection and for disposing of material out of the collection. Most acquisitions are made by donation. A number of donations are received each year and usually have to fulfil the criteria of the policy, which limits collecting to within the Stockport area or of objects, which have a strong Stockport connection.

There is a regular programme of environmental and pest monitoring which is carried out at all the sites. The condition of objects is recorded when the object is inventoried or documented as part of its use.

Staff are currently in the process of producing a full inventory of the collections, which will take a number of years to complete. As part of this inventory, the objects are documented, condition checked, labelled, photographed if of particular interest or fragility and repacked using appropriate curatorial grade materials. Lists of potential objects for disposal or display are kept as part of this process and any objects, which pose a threat to the collections or have sustained irreparable damage are only disposed of after due consideration and discussion. It is rare that any object formerly acquired into the collection is disposed of. Basic remedial conservation is carried out at the stores with any objects requiring specialised conservation being sent to a relevant qualified conservator.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2017/18 £000	2016/17 £000
Income including rental income	**(14,495)**	(12,319)
Expenditure	**5,867**	4,518
Net income from investment properties	**(8,628)**	(7,801)
Loss on disposal of investment properties	**0**	219
Changes in Fair Value of Investment Properties (unrealised gains/losses)	**2,204**	25,938
Total	**(6,424)**	18,356

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement in the normal course of letting. However, the Council as landowner may become liable for maintenance and service costs of certain properties if they become vacant.

Valuation Process for Investment Properties
The fair value of the Council's investment property is measured on a rolling basis but all assets are subject to a desk top review at each reporting date.

Except for the asset detailed below, the valuation of investment properties, which comprise the Council's investment property portfolio, has been carried out by Mr Ian Keyte, MRICS, who is employed by the Carillion Group, a company, which provides property services to the Council.

The Council's 4.64% interest in land held at Manchester Airport is based on a value obtained by Manchester City Council's valuer in 2017/18.

The Council's interests in Merseyway Shopping Centre, Hotel and Redrock Leisure complex have been valued by CBRE Ltd at 31 March 2018.

Fair Value Hierarchy
The Council's investment portfolio comprises a core of industrial ground leases, as well as a mix of retail, commercial and leisure property. The Council's largest investments are the Merseyway Shopping Centre (£59.500m), Redrock Leisure Complex (£19.125m), Aurora Stockport (£15.500m), the Stockport Exchange Office (£12.000m) and the Stockport Exchange Hotel (£10.050m).

All of the Council's directly held investment assets, valued at £189.090m, have been assessed overall as Level 3 in the fair value hierarchy as the measurement technique uses Level 2 observable inputs, but with some Level 3 unobservable inputs to determine the fair value measurements (e.g. location or physical condition). The Manchester Airport Land, valued at £9.099m, has been assessed as Level 2 in the fair value hierarchy.

Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties
The valuation of the Merseyway Shopping Centre has adopted the investment method, which uses a discounted cash flow and capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, covenant strength, the terms of in-place leases and expectations for rentals from future leases over the economic life of the buildings. Taking all these factors into consideration, the valuation has produced an equivalent yield of 8.0% and an initial yield of 6.69%.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about rent growth and vacancy levels and the discount rate (market yields). The overall valuation is sensitive to all of these assumptions and they are interrelated. The hotel and Redrock have been valued using the income capitalisation method and discounted cash flow, having regard to projected trading information. This has been considered in light of transactional evidence and adjustments made to reflect age, size, location and offering.

The capital value of the remaining portfolio has been measured using the income approach, having regard to rental values and investment yields (the “all risk yield” approach). The approach has been developed using the Council’s own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, terms of the lease agreement, rent growth, occupancy levels, bad debt levels, maintenance costs, type and location of the property, security of the income (tenant’s covenant strength) etc. Whilst reference is made to comparable market data from independent published sources, the Council’s portfolio is in the main secondary in nature and not in prime locations.

The Council holds other retail interests, most of which are located in Stockport Town Centre. Capital values have been assessed as above, based on income stream, tenure, lease term and covenant strength.

Some income producing assets within the Council’s town centre portfolio are anticipated to be short term in nature, as the objective of their acquisition has been for their strategic inclusion in the wider redevelopment of the town centre.

Highest and Best Use of Investment Properties
In estimating the fair value of the Council’s investment properties, the highest and best use of the properties is their current use.

Valuation Techniques
There has been no change in the valuation techniques used during the year for investment properties.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3
Significant changes in rental income and rent growth; vacancy levels or yield will result in a significantly lower or higher fair value.

It is generally considered that that equivalent market yield is the most sensitive unobservable input for the valuation of investment assets.

Generally the lower the yield the more secure the property is as an investment. This may manifest itself in the quality of the tenant in occupation, the prospects for income and capital growth and the location of the property. Historically retail property in prime locations has attracted the lowest yields followed by office then industrial property.

Industrial ground leases are considered very secure assets which whilst producing relatively modest incomes and are considered by the market to have significant capital values as the risk of default by the tenant is remote given that the income is often secured on commercial premises.

As an illustration, sensitivity data for the two largest assets, comprising 42% of level 3 assets in the investment portfolio, is as follows:

For Merseyway Shopping Centre, increasing/decreasing the yield by 0.5% reduces/increases the value by approximately £4m.

For Redrock, increasing/decreasing the yield by 0.25% reduces/increases the value by approximately £0.7m.

The remaining portfolio, comprising approximately 300 assets, is very diverse and sensitivity data has not been provided.

The following table summarises the movement in fair value of investment properties over the year:

	Investment Assets 2017/18 £000	**Assets Under Construction 2017/18 £000**	**Total 2017/18 £000**	Investment Assets 2016/17 £000	Assets Under Construction 2016/17 £000	Total 2016/17 £000
Balance at start of year	**162,893**	**32,598**	**195,491**	88,625		88,625
Additions:						
- Purchases	**65**		**65**	78,740		78,740
- Stockport Exchange hotel and office (loan extinguished - Note 4)			**0**	18,957		18,957
- Other expenditure	**8,953**		**8,953**	350	27,564	27,914
- Transfers	**28,482**	**(30,106)**	**(1,624)**	2,409	5,034	7,443
Disposal			**0**	(250)		(250)
Net unrealised gains/(losses) from fair value adjustments	**(2,204)**		**(2,204)**	(25,938)		(25,938)
Balance at end of the year	**198,189**	**2,492**	**200,681**	162,893	32,598	195,491

The net losses arising on revaluation in 2016/17 include £27.057m on the revaluation of Merseyway Shopping Centre.
The changes in fair value of investment property are attributable to Level 3 assets (£2.635m loss) and Level 2 assets (£0.431m gain). All other movements relate to Level 3 assets.

Assets under construction completed during 2017/18 include the Redrock and Aurora Stockport schemes and ongoing projects at 31 March 2018 include Markets and Underbanks and Stockport Exchange Phase 3.

14. Intangible Fixed Assets

	2017/18 £000	2016/17 £000
Balance at start of year:		
- gross carrying amount	**3,188**	3,188
- accumulated amortisation	**(2,713)**	(2,460)
Net carrying amount at start of year	**475**	728
Amortisation for the year	**(243)**	(253)
Net carrying amount at end of year	**232**	475
Comprising:		
Gross carrying amounts	**3,188**	3,188
Accumulated amortisation	**(2,956)**	(2,713)
	232	475

Intangible assets comprise software package licences, development of a new payroll system and website development. These short-lived assets are amortised to revenue over five to ten years from the year following the year of acquisition and are stated at historical cost.

15. Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability of another entity. This definition is broad and includes instruments used in the treasury management activity of an authority, including the borrowing and lending of money and the making of investments.

Definitions

The **amortised cost of a financial asset or financial liability** is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The **effective interest rate (EIR)** is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an estimate is made of cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS 18 Revenue), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible, the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) is used.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A. Financial Instrument Balances

Accounting regulations require the 'financial instruments' (investments and borrowing of the Council) shown in the balance sheet to be further analysed into various defined categories. The borrowings and investments disclosed in the balance sheet are made up of the following categories of 'financial instruments'.

	Long-Term Balance at 31 March 2018 £000	**Current Balance at 31 March 2018 £000**	Long-Term Balance at 31 March 2017 Restated £000	Current Balance at 31 March 2017 Restated £000
Borrowing:				
Financial liabilities at amortised cost				
PWLB: maturity loans	**292,231**	**222**	292,209	9,865
PWLB: annuity loans	**0**	**3**	3	403
Market loans - LOBOs	**18,103**	**0**	48,208	0
Market loans - converted LOBOs	**61,196**	**0**	31,100	0
Market loans - other long-term loans	**40,329**	**0**	0	0
Other local authorities +364 days (at execution)	**0**	**5,032**	5,032	5,033
Temporary loans	**0**	**124,225**	0	97,063
Sub Total	**411,859**	**129,482**	376,552	112,364
Cash & Cash Equivalents	**0**	**34,324**	0	13,872
Total Borrowings	**411,859**	**163,806**	376,552	126,236
Trade Creditors				
Financial liabilities at amortised cost	**0**	**7,376**	0	7,927
Total Creditors	**0**	**7,376**	0	7,927
Other Long-Term Liabilities				
Stockport Exchange multi storey car park finance lease at amortised cost	**13,700**	**0**	13,700	0
Total Other Long-Term Liabilities	**13,700**	**0**	13,700	0
Investments:				
Loans & receivables				
Temporary investments	**0**	**0**	0	0
Cash & Cash Equivalents	**0**	**35,522**	0	40,280
Total loans & receivables	**0**	**35,522**	0	40,280
Available-for-sale financial assets				
Long-term investments	**52,000**	**0**	43,800	0
Total Available for sale financial assets	**52,000**	**0**	43,800	0
Other Long-Term Receivables				
Stockport Exchange multi storey car park finance lease	**13,700**	**0**	13,700	0
Total Other Long-Term Investments	**13,700**	**0**	13,700	0
Total Investments	**65,700**	**35,522**	57,500	40,280
Loans & receivables - Debtors				
Trade Debtors	**1,634**	**13,418**	1,417	7,719
Long-term Debtors	**12,680**	**0**	11,055	0
Loans to subsidiary companies	**48,144**	**2,928**	38,792	2,764
Total Loans & receivables - Debtors	**62,458**	**16,346**	51,264	10,483

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is included in current assets/liabilities where the payments/receipts are due within one year (accrued interest in excess of twelve months is shown in long-term assets/ liabilities). The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Included in the long-term debtors figure of £12.680m is the Manchester Airport loan conversion of debt previously administered on behalf of the Airport by the Council, comprising a number of PWLB annuity and maturity loans for which the Council was previously reimbursed. These were converted into one loan of £9.151m for 45 years at 12% on 9 February 2010 (across 10 Greater Manchester Councils).

Lenders Option Borrowers Option (LOBO) loans of £17.5m have been included in long term borrowing as market loans but have an option date in the next 12 months. The above long term figures are based on (EIR) calculations where the maturity period for a LOBO is taken as being the contractual period to maturity.

In June 2016, £30m of Lenders Option Borrowers Option (LOBO) market loans were converted by the lender to market loans without any options. In August 2017 a further £30m were converted. These loans have consequently been re-categorised in the table above to converted LOBOS, which means they effectively became long-term fixed rate loans at their current interest rates and with their stated maturities.

During 2017/18 the Council took new long-term market loans from BAE Systems, commencing 23.11.17. This consisted of two loans of £20m for 50 years and 60 years respectively. There is an option at 25 years for the lender to request repayment and then every five years thereafter.

The Council has temporary loans of £124.225m as at 31 March 2018. Temporary loans comprise money market loans at fixed interest rates, mainly with other local authorities, repayable within the next financial year.

Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments are made up as follows:

	Balance as at 31 March 2018			
	Financial Liabilities Liabilities measured at amortised cost £000	**Financial Assets Loans and receivables £000**	**Financial Assets Available-for-sale assets £000**	**Total £000**
Interest expense	**17,870**	**0**	**0**	**17,870**
Total expense in (Surplus) or Deficit on the Provision of Services	**17,870**	**0**	**0**	**17,870**
Interest income	**0**	**(3,702)**	**0**	**(3,702)**
Dividend income	**0**	**0**	**(4,813)**	**(4,813)**
Total income in (Surplus) or Deficit on the Provision of Services	**0**	**(3,702)**	**(4,813)**	**(8,515)**
Unrealised Gain on revaluation	**0**	**0**	**(8,200)**	**(8,200)**
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**(8,200)**	**(8,200)**
Net (gain)/loss for the year	**17,870**	**(3,702)**	**(13,013)**	**1,155**

	Balance as at 31 March 2017			
	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Financial Assets Available-for-sale assets £000	Total £000
Interest expense	17,297	0	0	17,297
Total expense in (Surplus) or Deficit on the Provision of Services	17,297	0	0	17,297
Interest income Dividend income	0 0	(3,316) 0	0 (4,006)	(3,316) (4,006)
Total income in (Surplus) or Deficit on the Provision of Services	0	(3,316)	(4,006)	(7,322)
Unrealised Gain on revaluation	0	0	(3,900)	(3,900)
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(3,900)	(3,900)
Net (gain)/loss for the year	17,297	(3,316)	(7,906)	6,075

C. Fair Value of Financial Assets

Some of the Council's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value			
Recurring Fair Value Measurements	**Input level in Fair Value Hierarchy**	**Valuation technique used to measure Fair Value**	**£000**
Available for Sale			
Manchester Airport as at 31 March 2018	**Level 2**	**Earnings Based**	**51,900**
Manchester Airport as at 31 March 2017	Level 2	Earnings Based	43,700

The Council holds a 3.22% share in Manchester Airport Holdings Ltd (MAHL). The fair value of the shares held by the Council has been calculated by estimating the open market value of MAHL in a transaction between a willing buyer and a willing seller. An appropriate discount has also been applied to reflect the nature and rights of the shares held by the Council.

There is a high degree of comparability with listed company data and the valuation conclusion, including any movement in share price, is measurable against listed counterparts. It is therefore considered that the shares should be classed as input level 2 on the fair value hierarchy.

The valuation technique used is the earnings based method. This takes as its basis the profitability of the company, assessing its historic earnings typically by reference to results of a three to five year period and arriving at a view of “maintainable” or “prospective” earnings. It draws on data from comparable quoted companies and comparable transactions of companies operating in the relevant industrial sector. The data is then adjusted by discount factors to allow for the fact that the shares are not publically traded and that the Council holds a minority interest with no voting rights.

The valuation has been made using actual results for the six-month period to 30 September 2017 for the MAG, as presented in the Interim Report in addition to any further information that is publicly available. These shares are subject to an annual valuation. In 2017/18 this has seen an increase in value of £8.2m.

D. The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial asset carried at fair value (described in the table above), all other financial liabilities and financial assets represented by loans, receivables and debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, new borrowing certainty rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

***Methods and Assumptions in valuation technique*:**
The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today’s terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration, i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for

complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, the prevailing interest rate of a similar instrument with a published market rate, as the discount factor.

Inclusion of Accrued Interest:
The purpose of fair value disclosure is primarily to provide a comparison with the carrying value in the balance sheet. Since this also includes accrued interest as at the balance sheet date, accrued interest has also been included in the Fair Value calculation, up to and including the valuation date.

Discount Rates used in NPV Calculation:
The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March, using bid prices where applicable.

Fair Value of Assets and Liabilities carried at Amortised Cost

The fair values are calculated as follows:

(i) Fair value of liabilities carried at amortised cost

Financial Liabilities:	**31 March 2018**		31 March 2017	
	Carrying amount £000	**Fair Value £000**	Carrying amount £000	Fair Value £000
PWLB: maturity	**292,453**	**392,175**	302,074	406,300
PWLB: annuity	**3**	**3**	406	419
Market loans - LOBOs	**18,103**	**24,669**	48,208	61,571
Market loans - converted LOBOs	**61,196**	**80,034**	31,100	45,138
Market loans - other long-term loans	**40,329**	**40,711**	0	0
Other local authorities +364 days (at execution)	**5,032**	**5,023**	10,065	10,067
Short-term borrowing	**124,225**	**124,225**	97,063	97,050
Cash overdrawn	**34,324**	**34,324**	13,872	13,872
Trade creditors	**7,376**	**7,376**	7,927	7,927
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Liabilities	**596,741**	**722,240**	524,415	656,044

The Council has used a transfer value (new loan certainty rate) for the fair value of financial liabilities. In addition, an exit price valuation has also been taken (PWLB Maturity £462.404m, PWLB Annuity £0.003m) which is calculated using early repayment discount rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.

Fair value of the liabilities at 31 March 2018 is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss, based on

economic conditions at 31 March 2018, arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £392.178m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

For LOBO loans, fair value uses 'mark to model' and not 'mark to market' methodology. There were limited trades in the LOBO market for the financial year ending 31 March 2018. The rates used for the discount rates in the calculation were derived by applying a margin above a comparable gilt, which is based on pricing of instruments when the market was more active.

The fair value assessment above has been carried out on debt and investment instruments in excess of one year only. For instruments less than one year, the fair value is invariably immaterially different from the carrying amount due to the short term nature of the instrument.

(ii) Fair value of assets carried at amortised cost

Loans & receivables:	**31 March 2018**		31 March 2017	
	Carrying amount	**Fair Value**	Carrying amount Restated	Fair value Restated
	£000	**£000**	£000	£000
Cash & Cash Equivalents	**35,522**	**35,522**	40,280	40,280
Stockport Exchange multi storey car park finance lease	**13,700**	**13,700**	13,700	13,700
Trade debtors	**15,052**	**15,052**	9,136	9,136
Long-term debtors	**12,680**	**12,680**	11,055	11,055
Loans to subsidiary companies	**51,072**	**51,072**	41,556	41,556
Assets	**128,026**	**128,026**	115,727	115,727

The fair value of financial assets above is the same as the carrying amount because the Council's portfolio of loans is made up of cash or cash equivalent investments that can be readily converted into cash. The interest rate is the prevailing market rate and so the fair value of these loans and receivables is the same as the carrying value.

All other items are carried at cost as this is a fair approximation of their value.

16. Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

Credit Risk: the possibility that other parties might fail to pay amounts due to the Council;

Liquidity Risk: the possibility that the Council might not have funds available to meet its commitments to make payments;

Refinancing Risk: the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market Risk: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate or Stock Market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:

    - the Council's overall borrowing;
    - its maximum and minimum exposures to fixed and variable rates;
    - its maximum and minimum exposures to the maturity structure of its debt;
    - its maximum annual exposures to investments maturing beyond a year; and

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy which outlines

the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 23 February 2017 and is available on the Council website. The key points within the strategy were:

- The Authorised Limit for 2017/18 was set at £774m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was set at £754m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% respectively, based on the Council's net debt; and
- The maximum and minimum exposures to the maturity structure of debt are shown at Note 16c.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices TMPs) covering specific areas, such as interest rates risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Council's management of treasury risks actively works to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Treasury Management Code of Practice and has created and maintained a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities and Treasury Management Practices, setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will monitor and control those activities.

Treasury Management Policy Statement
The Council defines its treasury management activities as:

'The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management,

and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council's full Treasury Management Policy Statement and Treasury Management Practices are available to view on request.

Managing Treasury Management Risks
The Council embodies within its business and service planning processes the means by which it can identify treasury management risks and is familiar with and has implemented methods by which those risks can be successfully managed and contained. The Council believes that in by doing so it is treating the subject of risk management with sufficient priority.

In order that the Council manages and contains its risks successfully, it has identified what its risks are and considered to what extent it is able and prepared to suffer the consequences of those risks impacting adversely on its finances. To the extent that it is unable or unprepared to bear those consequences, it has sought to protect itself against that eventuality.

(a) Credit Risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

The risk is minimised through the Annual Investment Strategy which affirms that the effective management and control of risk are prime objectives of the Council's treasury management activities.

The Council has well documented records of the standing of counterparties it does or may deal with, and continuous access to independent sources of advice and information on the same.

- The Council needs to be alert to the prospect of the counterparties they deal with being unable or unwilling to fulfil their contractual responsibilities, especially as a result of failure to maintain their credit status. This applies not only to contracts relating to capital financing and investment, but also to outsourcing;
- The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above;
- The Council uses the creditworthiness service provided by its external treasury management advisor, Link Asset Services. This service uses a sophisticated

modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:
  - credit watches and credit outlooks from credit rating agencies
  - CDS spreads to give early warning of likely changes in credit ratings
  - Sovereign ratings to select counterparties from only the most creditworthy countries;
- Know your counterparty is a key principle; the Council does not rely on credit ratings alone for their understanding of counterparties. Credit ratings remain a key source of information but it is recognised that they do have limitations. Credit ratings are used as a starting point when considering credit risk. The Council also makes use of generally available market information, such as the quality financial press, market data, information on government support for banks and the credit ratings of that government support.

As part of its business or service planning processes, the Council has established clear policies on:

- Use of credit risk analysis techniques;
- Diversification;
- Credit criteria used for creating/managing approved counterparty lists/limits;
- Approved methodology for changing limits & adding/removing counterparties;
- Country and group listing of counterparties and the overall limits applied to each, where appropriate; and
- Details of credit rating agencies' services and their application and description of overall approach to collecting and using information other than credit ratings for counterparty risk assessment.

Specific credit criteria in respect of financial assets held by this Council at the balance sheet date are detailed in the Treasury Management Policy Statement and Annual Investment Strategy.

The full investment strategy for 2017/18 was approved by Council on 23 February 2017 and is available on the Council website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £35.522m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience of default and uncollectability adjusted to reflect current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Deposits with Banks & other Financial Institutions	**Trade Debtors**
Amounts as at 31 March 2018 (£000)	**35,522**	**15,052**
Historical Experience of Default	**0**	**10.86%**
Historical experience adjusted for market conditions as at 31 March 2018	**0**	**10.86%**
Estimated maximum exposure to default & uncollectability (£000s)	**0**	**1,634**
Amounts as at 31 March 2017 (£000)	40,280	9,136
Historical Experience of Default	0	15.51%
Historical experience adjusted for market conditions as at 31 March 2017	0	15.51%
Estimated maximum exposure to default & uncollectability (£000)	0	1,417

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that £5.731m of the £15.052m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2018 £000	31 March 2017 £000
Less than one month	**9,321**	4,812
One to three months	**2,309**	1,818
Three to six months	**954**	805
Six months to one year	**834**	284
More than one year	**1,634**	1,417
Total	**15,052**	9,136

(b) Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy Reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to

cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity structure of financial liabilities (excluding amounts due to customers) is as follows (at nominal value):

Loans Outstanding	**31 March 2018 £000**	31 March 2017 £000
Public Works Loans Board	**289,750**	299,614
Market loans - LOBOs	**17,500**	47,500
Market loans - converted LOBOs	**60,000**	30,000
Market loans - other long-term loans	**40,000**	0
Other local authorities +364 days (at execution)	**5,000**	10,000
Temporary borrowing	**124,119**	97,028
Stockport Exchange Multi Storey Carpark finance lease	**13,700**	13,700
Total	**550,069**	497,842
Less than 1 year	**129,344**	112,114
Between 1 and 2 years	**18,056**	5,003
Between 2 and 5 years	**30,000**	48,056
Between 5 and 10 years	**21,261**	21,261
More than 10 years	**351,408**	311,408
Total	**550,069**	497,842

In the more than 10 years category there are £17.5m of LOBOs which have an option date in the next 12 months.

(c) Refinancing & Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. The Council therefore has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that there is a reasonable spread in the maturity periods for borrowing and the value of loans due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy on 23 February 2017).

			31 March 2018			31 March 2017		
	Approved minimum limits	**Approved maximum limits**	**Fixed**	**Variable**	**% Fixed**	Fixed	Variable	% Fixed
	%	**%**	**£000**	**£000**	**%**	£000	£000	%
Less than 1 year	**0%**	**50%**	**102,325**	**27,019**	**19.6%**	112,086	28	22.5%
Between 1 and 2 years	**0%**	**50%**	**18,056**		**3.5%**	5,003		1.0%
Between 2 and 5 years	**0%**	**55%**	**30,000**		**5.7%**	48,056		9.7%
Between 5 and 10 years	**0%**	**55%**	**21,261**		**4.1%**	21,261		4.3%
More than 10 years	**50%**	**100%**	**351,408**		**67.2%**	311,408		62.6%
Total			**523,050**	**27,019**	**100%**	497,814	28	100%

(d) Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowing and investments and to interest rate risk in two different ways; the first being the uncertainty of interest paid and received, and the second being the effect of fluctuations in interest rates on the fair value of an instrument. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates: the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates: the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates: the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates: the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market

price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The treasury management team therefore work to an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2018 £000	31 March 2017 £000
Increase in interest payable on variable rate borrowings	**2,399**	1,603
Increase in interest receivable on variable rate investments	**(148)**	(247)
Impact on Surplus or Deficit on the Provision of Services	**2,251**	1,356
Share of overall impact debited to the HRA	**66**	66
Impact on Other Comprehensive Income and Expenditure	**0**	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on surplus or deficit on the Provision of Services or other Comprehensive Income and Expenditure)	**(85,934)**	(78,541)

Short-term borrowing (maturing within twelve months) has been included in the increase in interest payable for variable rate borrowing, despite being at fixed rates. This is due to the short-term nature of the borrowing that would effectively be subject to being replaced at higher rates within twelve months and therefore increase the interest payable.

The increase in interest payable on variable rate borrowings includes LOBO loans as they include either annual or semi-annual option dates.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note, Fair Value of Assets and Liabilities at Amortised Cost.

Price Risk

The Council does not generally invest in equity shares or marketable bonds, however in common with all Greater Manchester Authorities, the Council has a 3.22% non-voting shareholding in Manchester Airport plc (except Manchester City Council which holds 35.5%). The holding in shares is shown at the Balance Sheet

date at £51.9m being the Fair Value. Whilst this holding is generally illiquid (no active market), the Council is exposed to losses arising from movements in the price of the shares.

The Fair Value derived is on a market value basis, taking into account the nature of the holding, its illiquidity and the Company's Articles of Association. As the Council is a non-voting minority shareholder the price valuation was made using only information available to minority shareholders/publically available information.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead the Council monitors factors that might cause a fall in the value of specific shareholdings.

The £51.9m shares are classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

17a. Short Term Debtors including Payments in Advance

These include all debts falling due within 12 months of the balance sheet date:

	Balance at 31 March 2018 £000	Balance at 31 March 2017 restated £000
Central Government	**15,607**	13,693
Other Local Authorities	**17,830**	23,417
NHS Bodies	**5,087**	3,167
Public Corporations and other entities	**26,521**	20,155
Collection Fund:		
Business Rates	**7,104**	4,371
Council Tax	**12,716**	12,402
Social Services Clients	**4,945**	5,702
Housing Rents	**1,411**	1,174
Car & Other loans	**2,165**	163
Subsidiary Undertakings	**3,938**	3,279
	97,324	87,523
Bad Debt Provision	**(17,049)**	(14,339)
Total	**80,275**	73,184

There has been a restatement of balances at 31 March 2017 between standard categories.

17b. Long Term Debtors

These represent amounts that are not due for repayment within 12 months of the balance sheet date. They can be analysed as follows:

	Balance at 31 March 2018 £000	Balance at 31 March 2017 £000
Loan -Stockport Homes Ltd	**39,431**	29,451
Loan –Totally Local Company Ltd (formerly Solutions SK Ltd)	**8,713**	9,341
Loans to Manchester Airport plc	**9,151**	9,151
Stockport Exchange finance lease interest	**1,180**	899
Deferred rental income	**2,112**	643
Mortgages	**115**	115
Car and bike loans to Employees	**63**	181
Other debts	**59**	66
Local Authority Mortgage Scheme	**0**	2,000
	60,824	51,847
Finance Lease Long term Debtor	**13,700**	13,700
Total	**74,524**	65,547

18. Cash and Cash Equivalents

Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	Balance at 31 March 2018 £000	Balance at 31 March 2017 £000
Cash and bank balances	**24,472**	22,530
Short term investments, considered to be cash equivalents	**11,050**	17,750
Bank Overdraft	**(34,324)**	(13,872)
Total	**1,198**	26,408

The prior year balance sheet has been restated, to reflect the separate disclosure of bank overdraft within current liabilities rather than netting it off cash and cash equivalents.

19. Assets held for Sale

	Current 31 March 2018 £000	Current 31 March 2017 £000
Balance at start of year	**1,080**	1,603
Transfers	**273**	692
Impairment losses	**(75)**	0
Assets sold	**(692)**	(1,215)
Balance at end of year	**586**	1,080

There are no non-current assets held for sale at 31 March 2018 (31 March 2017 – Nil).

20a. Short Term Creditors including Receipts in Advance

These include all amounts owing within 12 months of the balance sheet date:

	Balance at 31 March 2018 £000	Balance at 31 March 2017 restated £000
Central Government	**(6,125)**	(10,420)
Other Local Authorities	**(10,707)**	(3,962)
NHS Bodies	**(2,580)**	(2,953)
Public Corporations and other entities	**(48,701)**	(46,337)
Collection Fund:		
Business Rates	**(3,717)**	(903)
Council Tax	**(1,933)**	(1,773)
Subsidiary Undertakings	**(3,302)**	(3,327)
Employees Accumulated Absences	**(5,590)**	(4,707)
Total	**(82,655)**	(74,382)

There has been a restatement of balances at 31 March 2017 between standard categories.

20b. Long Term Creditors

These include all amounts due after more than 12 months of the balance sheet date:

	Balance at 31 March 2018 £000	Balance at 31 March 2017 £000
Debt administered by Other Councils	**(5,670)**	(6,932)
Stockport Exchange Deferred Income	**(5,547)**	(5,738)
Stockport Exchange Finance Lease interest	**(969)**	(745)
Loans under the Chronically Sick & Disabled Persons Act 1971	**(43)**	(43)
Total	**(12,229)**	(13,458)

21. Provisions

	Insurance Fund £000	**Business Rates Appeals £000**	**Planning Appeals £000**	**Total £000**	Comparative figures for 2016/17 £000
Long term					
Balance 31 March 2017	(4,045)	(1,190)		(5,235)	(5,672)
Increases in year		(1,710)		(1,710)	(148)
Decreases in year	480			480	585
Balance as at 31 March 2018	**(3,565)**	**(2,900)**	**0**	**(6,465)**	(5,235)
Short term					
Balance 31 March 2017	(747)	(2,262)	(23)	(3,032)	(2,891)
Increases in year	(24)	(6,062)		(6,086)	(523)
Decreases in year	25	1,910		1,935	382
Balance as at 31 March 2018	**(746)**	**(6,414)**	**(23)**	**(7,183)**	(3,032)
Total Provisions	**(4,311)**	**(9,314)**	**(23)**	**(13,648)**	(8,267)

Insurance Fund

The insurance provision is in respect of outstanding liability claims in connection with employer's and public liability and Education property. Some schools have taken out their own policies to cover uninsured risks in respect of burst water pipes and theft from property. The amount shown in the provision highlights commitments where settlements have yet to be agreed (any balances are shown as an earmarked reserve).

Business Rates Appeals Provision
Following the introduction of the Business Rates Retention Scheme on 1 April 2013, the Council has been responsible for 49% of the cost (lost income) as a result of successful Business Rates appeals. However, as a result of the Greater Manchester 100% Business Rates Retention Pilot, the Council is now responsible for 99% (1% relates to Greater Manchester Fire and Rescue Authority) of the cost as a result of successful Business Rates appeals by businesses. The Council has therefore recognised an appeals provision in its accounts for 99% of the expected cost.

The Council's appeals provision is £9.314m as at 31 March 2018 and is split across two Business Rates valuation lists; appeals relating to the 2010 Business Rates valuation list and appeals relating to the 2017 Business Rates valuation list.

- The 2010 valuation list appeals provision is calculated using the Valuation Office Agency (VOA) list of appeals as at 31 March 2018. The list has been analysed to assess the likelihood of appeals being successful and potential cost as a result.
- The 2017 valuation list appeal provision is calculated using the 2.1p multiplier adjustment included in the 2017/18 Business Rates Multiplier. This was included in the multiplier to ensure Local Authorities were able to raise sufficient revenue to cover the expected cost of successful appeals by businesses against their new rateable values following the 2017 Revaluation.

Planning Appeals
This provision is to cover the compensation and court costs which might be incurred by the Council pursuant to a defendants' successful appeal against planning decisions.

22. Usable Reserves

Movements in usable reserves are set out in the Movement in Reserves Statement and supporting notes. An explanation of usable reserves is set out below.

General Fund Balances
The General Fund is the statutory fund into which all the Council's receipts are paid and all its liabilities are met, except where otherwise permitted by statutory rules. The General Fund Balance summarises the resources that the Council is able to spend on its services or capital investment, or the deficit that it is required to recover. Included within the General Fund Balance reported in the Movement in Reserves Statement are Earmarked General Fund Reserves.

See the Narrative Report for more details on the General Fund Balance.

Housing Revenue Account
The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for the Council's housing provision. It contains the balance of income and expenditure that is available to fund future expenditure in connection the Council's housing provision or the amount required to be recovered from tenants in future years where it is in deficit.

Included within the Housing Revenue Account Balance reported in the Movement in Reserves Statement are Earmarked Housing Revenue Account Reserves.
See the statements and notes for an explanation of and in year movements on the Housing Revenue Account.

Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserve
Earmarked General Fund Reserves and Earmarked Housing Revenue Account Reserves are the amounts set aside from General Fund and HRA balances to provide financing for future expenditure plans. See Note 7 for more details of Earmarked Reserve balances.

Capital Receipts Reserve
This represents capital receipts from the disposal of land and other assets which are available to finance capital expenditure. The balance at year end represents receipts which have not yet been applied for this purpose.

Major Repairs Reserve
The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

Capital Grants Unapplied
The balance at year end represents capital grants without conditions which have been received but not yet applied to finance capital expenditure.

23. Unusable Reserves

The movement on unusable reserves is shown below:

	Revaluation Reserve £000	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Available for Sale Financial Instruments Reserve £000	Total Unusable Reserves £000
Balance at 31 March 2016	(146,748)	(541,001)	993	(13,831)	272,452	1,312	4,659	(29,586)	(451,750)
Movement in reserves during 2016/17:									
Other Comprehensive Income and Expenditure	(49,249)				22,224			(3,900)	(30,925)
Movements to other reserves	5,867	(81,129)	(12)	3	13,499	(2,227)	48		(63,951)
Net (Increase)/ Decrease in 2016/17	(43,382)	(81,129)	(12)	3	35,723	(2,227)	48	(3,900)	(94,876)
Balance at 31 March 2017 carried forward	**(190,130)**	**(622,130)**	**981**	**(13,828)**	**308,175**	**(915)**	**4,707**	**(33,486)**	**(546,626)**
Movement in reserves during 2017/18:									
Other Comprehensive Income and Expenditure	**(77,320)**				**(27,672)**			**(8,200)**	**(113,192)**
Movements to other reserves	**9,113**	**(59,125)**	**(12)**	**1**	**28,619**	**1,626**	**883**		**(18,895)**
Net (Increase)/ Decrease in 2017/18	**(68,207)**	**(59,125)**	**(12)**	**1**	**947**	**1,626**	**883**	**(8,200)**	**(132,087)**
Balance at 31 March 2018 carried forward	**(258,337)**	**(681,255)**	**969**	**(13,827)**	**309,122**	**711**	**5,590**	**(41,686)**	**(678,713)**

(a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost; and

- used in the provision of services and the gains are consumed through depreciation, or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2017/18 £000	**2017/18 £000**	2016/17 £000	2016/17 £000
Balance at beginning of the year		**(190,130)**		(146,748)
Upward revaluation of assets	**(80,875)**		(58,176)	
Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	**3,555**		8,927	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(77,320)**		(49,249)
Difference between fair value depreciation and historical cost depreciation	**6,578**		4,471	
Accumulated gains on assets sold or scrapped	**2,535**		1,396	
Amount written off to the Capital Adjustment Account		**9,113**		5,867
Balance at end of year		**(258,337)**		(190,130)

(b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £000	2017/18 £000	2016/17 £000	2016/17 £000
Balance at beginning of the year		**(622,130)**		(541,001)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non -current assets	**41,357**		37,919	
Revaluation (gains)/losses and impairment losses on Property, Plant and Equipment	**(7,399)**		(42,230)	
Charge for impairment of assets held for sale				
Amortisation of intangible assets	**243**		253	
Revenue expenditure funded from capital under statute	**1,943**		6,019	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**5,647**		3,600	
	41,791		5,561	
Difference between fair value depreciation and historical cost depreciation	**(6,578)**		(4,471)	
Net written out amount of the cost of non-current assets consumed in the year		**35,213**		1,090
Capital financing applied in the year:				
Receipt of capital loans	**1,420**		1,306	
Repayment of loans	**(1,420)**		(1,306)	
Use of the Capital Receipts Reserve to finance new capital expenditure	**(1,628)**		(818)	
Use of the Capital Receipts Reserve to finance prior capital expenditure	**(1,393)**		(574)	
Use of the Major Repairs Reserve to finance new capital expenditure	**(11,215)**		(10,389)	
Use of the Major Repairs Reserve to repay debt			(504)	
Capital grants relating to donated assets			(18,452)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**(53,756)**		(50,076)	
Application of grants and contributions to capital financing from the Capital Grants Unapplied Account	**(8,639)**		(12,026)	
Statutory provision for the financing of capital investment and charged against the General Fund and HRA balances	**(9,099)**		(7,357)	
Capital expenditure charged against the General Fund and HRA balances	**(9,074)**		(2,599)	
Principal repayments for transferred debt and deferred purchase scheme	**(1,262)**		(1,192)	
Voluntary revenue provision for capital	**(476)**		(4,170)	

financing	**(96,542)**	(108,157)
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement	**2,204**	25,938
Balance at end of the year	**(681,255)**	(622,130)

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2017/18 £000	2016/17 £000
Balance at beginning of the year	**981**	993
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statute	**(12)**	(12)
Balance at end of the year	**969**	981

(d) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2017/18 £000	2016/17 £000
Balance at beginning of the year	**(13,828)**	(13,831)
Transfer to the Capital Receipts Reserve upon receipt of cash	**1**	3
Balance at end of the year	**(13,827)**	(13,828)

(e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays, any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council

has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

See Note 36 to the Core Financial Statements for an explanation of the in-year movements on the Pensions Reserve.

	2017/18 £000	2016/17 £000
Balance at beginning of the year	**308,175**	272,452
Remeasurements of the net defined benefit liability/asset	**(27,672)**	22,224
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**48,207**	33,611
Employer's pensions contributions and direct payments to pensioners payable in the year	**(19,588)**	(20,112)
Balance at end of the year	**309,122**	308,175

(f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2017/18 £000	2016/17 £000
Balance at beginning of the year	**(915)**	1,312
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	**1,626**	(2,227)
Balance at end of the year	**711**	(915)

(g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £000	2017/18 £000	2016/17 £000	2016/17 £000
Balance at beginning of the year		**4,707**		4,659
Settlement or cancellation of accrual made at the end of the preceding year	**(4,707)**		(4,659)	
Amounts accrued at the end of the current year	**5,590**		4,707	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**883**		48
Balance at end of the year		**5,590**		4,707

(h) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; and
- disposed of and the gains are realised.

	2017/18 £000	2016/17 £000
Balance at beginning of the year	**(33,486)**	(29,586)
(Upward)/downward revaluation of investment - Manchester Airport	**(8,200)**	(3,900)
Balance at end of the year	**(41,686)**	(33,486)

24. Note to the Cash Flow Statement – Investing Activities

	31 March 2018 £000	31 March 2017 £000
Purchase of property, plant and equipment, investment property and intangible assets	**131,599**	194,148
Purchase of short-term and long-term investments	**0**	22,600
Other capital payments for investing activities	**13,179**	38,858
Other payment for investing activities	**41**	71
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(6,872)**	(4,002)
Capital grants	**(68,747)**	(59,961)
Proceeds from short-term and long-term investments	**0**	(40,000)
Other receipts from investing activities	**(1,885)**	(1,833)
	67,315	149,881

25. Note to the Cash Flow Statement – Financing Activities

	31 March 2018 £000	31 March 2017 £000
Cash receipts of short- and long-term borrowing	**(673,000)**	(537,590)
Other receipts from financing activities	**4,021**	(2,182)
Repayments of short- and long-term borrowing	**622,035**	415,530
	(46,944)	(124,242)

26. Trading Operations

The table below shows the main areas of the Council's operations which operate in a competitive or semi-competitive environment. These Trading Operations balance their budget by generating income from other parts of the Council or external organisations.

	Turnover £000	**Total Expenditure £000**	**2017/18 (Surplus) /Deficit £000**	Turnover £000	Total Expenditure £000	2016/17 (Surplus) /Deficit £000
Building Control	**(285)**	**307**	**22**	(336)	313	(23)
Stockport Market	**(41)***	**357**	**316**	(237)	446	209
Total	**(326)**	**664**	**338**	(573)	759	186

*Market income has reduced due to a one off VAT assessment of £0.143m on market tolls dating back four years.

Building Control
Building Regulations exist principally to ensure the health, safety, welfare and convenience of people in and around buildings, and the water and energy efficiency of buildings. The regulations apply to most new buildings and many alterations of existing buildings, whether domestic, commercial or industrial. Compliance is mandatory.

In addition to the building regulation function that is open to private competition, the building control services also provide functions to support local governance, which contribute to local priorities. These additional functions include emergency response to dangerous structures (office hours only), property addressing and administration of demolition notices.

Whereas the building regulation services, checking designs and certifying work as built, is funded through income, generally the additional functions are funded through local Council budgets.

Stockport Market
Stockport Market provides affordable space for small scale retail businesses in a Town Centre location. This caters for approximately 50 indoor and up to 50 outdoor traders.

Through the provision of the Stockport Market, the Council is aiming to support small businesses and at the same time provide a diverse shopping offer within the Town Centre. The Market also provides opportunity for small scale retail entrepreneurs to test out their business ideas. These objectives contribute to the Council's Thriving Stockport priority.

27. Pooled Budget Arrangements

Pooled Budgets with Stockport Clinical Commissioning Group (CCG) Section 75 Agreements
The Council and Stockport Clinical Commissioning Group (CCG) work in partnership under a Section 75 Agreement to jointly commission a range of services from within a pooled fund, including the Better Care Fund (BCF). The Health and Care Integrated Commissioning Board, which oversees the arrangement, is made up of both Council and Stockport CCG representatives, with neither party having overall control. The Board is responsible for re-profiling the agreed funding put in to the pooled budget from the Council and Stockport CCG aligned to Points of Delivery and has strategic oversight of the financial position.

The Council and Stockport CCG are each responsible for the delivery of service. The Council has considered the arrangement under the relevant accounting standard and determined that it is a joint operation. As a result, the Council accounts for its share of the fund's assets, liabilities, expenditure and income. Any outturn surpluses or deficits are retained by the responsible lead for that service.

The memorandum below illustrates the contributions by partners and the financial performance by points of delivery (PODS) and the overall performance for the Section 75 Agreement in 2017/18 and 2016/17.

The £19.640m Better Care Fund allocation into the pooled budget by Stockport CCG was received via the CCG core services allocation from NHS England. The outturn position is reflected based on who was the lead commissioner of the approved schemes within the Better Care Fund schedule.

Pooled Budget Statement

2017/18	Prevention £000	Boroughwide £000	Community / Out of Hospital £000	Acute £000	Total £000
Funding provided to the Pooled Budget					
Stockport Council	**(21,236)**	**(7,224)**	**(72,199)**	**0**	**(100,659)**
Stockport CCG	**(136)**	**(4,586)**	**(27,059)**	**(70,588)**	**(102,369)**
Total	**(21,372)**	**(11,810)**	**(99,258)**	**(70,588)**	**(203,028)**
Expenditure met from the Pooled Budget					
Stockport Council	**21,023**	**6,996**	**73,134**	**0**	**101,153**
Stockport CCG	**136**	**4,596**	**26,906**	**71,417**	**103,055**
Total	**21,159**	**11,592**	**100,040**	**71,417**	**204,208**
Net (surplus) / deficit arising from the pooled budget in year	**(213)**	**(218)**	**782**	**829**	**1,180**
Net (surplus) / deficit split by each partner:					
Stockport Council	**(213)**	**(228)**	**935**	**0**	**494**
Stockport CCG	**0**	**10**	**(153)**	**829**	**686**
Total	**(213)**	**(218)**	**782**	**829**	**1,180**

2016/17	Prevention £000	Boroughwide £000	Community / Out of Hospital £000	Acute £000	Total £000
Funding provided to the Pooled Budget					
Stockport Council	(22,159)	(7,277)	(69,556)		(98,992)
Stockport CCG	(368)	(2,884)	(29,393)	(67,478)	(100,123)
Total	(22,527)	(10,161)	(98,949)	(67,478)	(199,115)
Expenditure met from the Pooled Budget					
Stockport Council	21,752	6,579	71,309		99,640
Stockport CCG	368	2,884	27,753	69,668	100,673
Total	22,120	9,463	99,062	69,668	200,313
Net (surplus) / deficit arising from the pooled budget in year	(407)	(698)	113	2,190	1,198
Net (surplus) / deficit split by each partner					
Stockport Council	(407)	(698)	1,753	0	648
Stockport CCG	0	0	(1,640)	2,190	550
Total	(407)	(698)	113	2,190	1,198

28. Members' Allowances

The Council paid the following amounts to Council Members during the year.

	2017/18 £000	2016/17 £000
Allowances	**916**	922
Expenses	**4**	3
Total	**920**	925

29. Officer Remuneration

Senior Officer Remuneration for 2017/18 is provided in the table below.

Post Holder		**Salary, Fees & Allowances**	**Expenses Allowance**	**Benefits in Kind**	**Employers Pension Contribution**	**Note**
		£	£	£	£	
Chief Executive	**2017/18**	**82,804**	**0**	**0**	**14,739**	A
	2016/17	0	0	0	0	
Chief Executive - E.Boylan	**2017/18**	**7,710**	**6**	**0**	**0**	B
	2016/17	181,750	134	0	0	
Deputy Chief Executive, Strategy and Democracy - L.Donnan	**2017/18**	**157,613**	**846**	**0**	**25,389**	C
	2016/17	136,215	1,392	0	25,244	
Corporate Director, Services to People	**2017/18**	**134,394**	**433**	**0**	**23,887**	D
	2016/17	133,924	2,599	0	25,331	
Director of Operational Social Care	**2017/18**	**7,712**	**92**	**0**	**1,373**	E
	2016/17	0	0	0	0	
Service Director - Child Safeguarding & Prevention Services	**2017/18**	**10,503**	**80**	**0**	**1,869**	F
	2016/17	0	0	0	0	
Corporate Director, Services to Place	**2017/18**	**127,032**	**101**	**0**	**22,514**	
	2016/17	121,854	955	0	23,116	
Borough Treasurer	**2017/18**	**85,674**	**0**	**1,028**	**14,759**	
	2016/17	80,728	0	80	15,180	
Director of Public Health	**2017/18**	**57,741**	**0**	**0**	**0**	
	2016/17	62,352	0	0	0	
Head of Legal and Governance	**2017/18**	**29,298**	**0**	**0**	**6,139**	G
	2016/17	62,611	0	0	11,836	

Note	Notes to the Senior Officer Remuneration table
A	The Chief Executive joined the Council on 4 September 2017.
B	The Chief Executive left the Council on 16 April 2017.
C	The Deputy Chief Executive was the interim Chief Executive between 17 April 2017 and 4 September 2017 and was also the Monitoring Officer between 26 October 2017 and 5 April 2018. The Deputy Chief Executive also received payments for responsibilities discharged at Elections, which are funded by Third Parties.
D	The Corporate Director, Services to People left the Council on 31 March 2018.
E	With effect from 1 March 2018 the Director of Operational Social Care was assigned the Statutory Role of Director of Adult Social Care previously assigned to the Corporate Director, Services to People.
F	With effect from 1 March 2018 the Service Director - Child Safeguarding & Prevention Services was assigned the Statutory Roles of Director of Children's Services & Chief Education Officer previously assigned to the Corporate Director, Services to People.
G	The Head of Legal and Democratic Governance was the Monitoring Officer from 1 April 2017 to 26 October 2017.

The table below lists the Council's Senior Officers, their statutory roles and areas of responsibility as at 31 March 2018.

Officer	Statutory Role	Areas of Responsibility
Chief Executive - P.Smith	Head of Paid Service, Council Returning Officer	All Council activities
Deputy Chief Executive, Strategy and Democracy	Monitoring Officer - note C	People and Organisational Development, Policy Performance, Public Service Reform, Legal and Democratic Governance, Community Safety, Elections, Registrars, Libraries, Neighbourhood Management, Coroners, Democratic Services, Estate and Asset Management, Business Support, Information and Communication.
Corporate Director, Services to People	Director of Children's Services, Director of Adult Social Care & Chief Education Officer	Early Help and Prevention, Safeguarding Children, Children's Disability Partnership, Children's Social Care, Supporting Families, School Improvement, SEN and Inclusion, Participation and Education, School Services, Youth Offending, Commissioning School Places, School Effectiveness, Health and Well-being, Business Intelligence, Service Redesign, Market Development, Quality and Commissioning, Disability Services, Older Peoples Services, Short Term Support and Service Integration.
Director of Operational Social Care	Director of Adult Social Care	Health and Well-being, Business Intelligence, Service Redesign, Market Development, Quality and Commissioning, Disability Services, Older Peoples Services, Short Term Support and Service Integration.

Service Director - Child Safeguarding & Prevention Services	Director of Children's Services & Chief Education Officer	Early Help and Prevention, Safeguarding Children, Children's Disability Partnership, Children's Social Care, Supporting Families, School Improvement, SEN and Inclusion, Participation and Education, School Services, Youth Offending, Commissioning School Places and School Effectiveness.
Corporate Director, Services to Place		Climate Change, Public Protection, Public Realm, Transportation, Building Control, Culture and Leisure, Economic Development and Regeneration, Planning Services, Strategic Housing, Learning and Employment.
Borough Treasurer	Section 151 Finance Officer	Finance, Revenues and Benefits, Customer Services, Advice and Information and STaR Procurement.
Head of Legal and Democratic Governance	Monitoring Officer	Legal and Democratic Governance
Director of Public Health	Director of Public Health	Health Protection, Healthcare, Early Diagnosis and Sexual Health, Lifestyle Services, Mental Well Being and Workplace, Priority Communities and Cultural Determinants, Healthy Schools, Healthy Promotion, Teenage Pregnancy.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid as shown on the table below.

	2017/18				
	Number of employees who received redundancy or other related payments		Number of employees who did not receive redundancy or other related payments		
Remuneration Band	**Schools***	**Other Services**	**Schools***	**Other Services**	**Total**
£50,000 - £54,999	0	2	44	18	64
£55,000 - £59,999	0	1	27	22	50
£60,000 - £64,999	0	1	30	11	42
£65,000 - £69,999	0	0	17	6	23
£70,000 - £74,999	0	2	4	4	10
£75,000 - £79,999	0	1	4	2	7
£80,000 - £84,999	0	0	0	4	4
£85,000 - £89,999	0	0	0	0	0
£90,000 - £94,999	0	0	1	0	1
£95,000 - £99,999	0	0	2	2	4
£100,000 - £104,999	0	0	0	0	0
£105,000 - £109,999	0	0	1	1	2
£110,000 - £114,999	0	0	0	1	1
Total	**0**	**7**	**130**	**71**	**208**

Remuneration Band	2016/17				
	Number of employees who received redundancy or other related payments		Number of employees who did not receive redundancy or other related payments		
	Schools	Other Services	Schools	Other Services	Total
£50,000 - £54,999	0	8	47	23	78
£55,000 - £59,999	0	1	30	15	46
£60,000 - £64,999	0	2	31	8	41
£65,000 - £69,999	0	2	14	4	20
£70,000 - £74,999	0	1	2	3	6
£75,000 - £79,999	0	0	3	1	4
£80,000 - £84,999	0	3	1	3	7
£85,000 - £89,999	0	1	2	0	3
£90,000 - £94,999	0	1	1	2	4
£95,000 - £99,999	0	1	0	1	2
£100,000 - £104,999	0	2	1	1	4
£105,000 - £109,999	0	0	0	0	0
£110,000 - £114,999	0	0	0	1	1
£115,000 - £119,999	0	0	0	0	0
£120,000 - £124,999	0	0	0	0	0
Total	0	22	132	62	216

Exit packages

Exit packages include voluntary redundancy costs paid to employees and pension contributions (Capital Costs) paid to the Local Government Pension Scheme applicable to employees who have taken voluntary early retirement.

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band		
	2017/18	2017/18	2017/18	Redundancy 2017/18 £000	Capital 2017/18 £000	Total 2017/18 £000
£0 - £20,000	**5**	**12**	**17**	101	11	**112**
£20,001 - £40,000	**0**	**7**	**7**	159	37	**196**
£40,001 - £60,000	**0**	**2**	**2**	28	69	**97**
£60,001 - £80,000	**0**	**1**	**1**	29	41	**70**
£80,001 - £100,000	**0**	**3**	**3**	93	189	**282**
£100,001 - £150,000	**0**	**0**	**0**	0	0	**0**
£150,001 - £200,000	**0**	**0**	**0**	0	0	**0**
£200,001 - £250,000	**0**	**0**	**0**	0	0	**0**
TOTAL	**5**	**25**	**30**	**410**	**347**	**757**

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band		
	2016/17	2016/17	2016/17	Redundancy 2016/17 £000	Capital 2016/17 £000	Total 2016/17 £000
£0 - £20,000	19	51	70	641	19	660
£20,001 - £40,000	0	29	29	628	168	796
£40,001 - £60,000	0	12	12	267	313	580
£60,001 - £80,000	0	3	3	95	116	211
£80,001 - £100,000	0	2	2	55	116	171
£100,001 - £150,000	0	1	1	38	86	124
£150,001 - £200,000	0	1	1	42	114	156
£200,001 - £250,000	0	1	1	44	167	211
Total	19	100	119	1,810	1099	2,909

During 2017/18 there were 30 redundancies of which 5 were compulsory. The compulsory redundancies related to the end of fixed term contracts and due to employment rights, these employees are entitled to receive a redundancy payment.

30. External Audit Costs

Stockport Metropolitan Borough Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2017/18 £000	2016/17 £000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	**126**	126
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	**23**	21
Other fees	**10**	30
Total	**159**	177

31. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	**Total £000**
Final DSG for 2017/18 before academy recoupment			**205,170**
Academy figure recouped for 2017/18			**(32,314)**
Total DSG after Academy recoupment for 2017/18			**172,856**
Plus: Brought Forward from 2016/17			**1,033**
Less: Carry-forward to 2018/19 agreed in advance			**0**
Agreed initial budgeted distribution in 2017/18	39,680	166,944	**206,624**
In year adjustments	448	(32,488)	**(32,040)**
Final Budgeted distribution for 2017/18	**40,128**	**134,456**	**174,584**
Less Actual central expenditure	39,780		
Less Actual ISB deployed to schools		134,456	
Plus Local Authority contribution for 2017/18	0	0	**0**
Carry-forward to 2018/19	348	0	**348**

32. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 Credited to taxation and non-specific grant income £000	**2017/18 Credited to services £000**	2016/17 Credited to taxation and non-specific grant income £000	2016/17 Credited to services restated £000
Capital				
Capital Grants:				
Department for Education capital programme (including DFC, Basic Need and Capital Maintenance)	**(4,318)**	**(595)**	(5,018)	(1,989)
Department for Transport Highways capital programme	**(23,747)**		(18,727)	
Transport for Greater Manchester A6 to Manchester Airport Relief Road	**(29,126)**		(31,201)	
Housing HRA - HCA funding	**(1,148)**		(386)	
Housing - Disabled Facilities Grant		**(1,116)**		(1,098)
Department of Health	**(321)**			
Heritage Lottery Fund	**(111)**		(645)	
Other government grants	**(20)**		(170)	
Capital Contributions:				
Developer and other highways contributions	**(1,173)**		(1,425)	
Other contributions	**(765)**	**(151)**	(503)	(199)
Total Capital Grants and Contributions	**(60,729)**	**(1,862)**	(58,075)	(3,286)
Revenue				
Dedicated Schools Grant (DSG)		**(173,503)**		(168,156)
Pupil Premium Grant		**(9,209)**		(9,283)
Local Authority Central Education Services	**(954)**		(3,244)	
Other Education and Schools Grants		**(5,990)**		(7,371)
Subsidy grants for benefits payments:				
Rent Allowances		**(41,601)**		(45,130)
Rent Rebates		**(26,730)**		(28,598)
Benefit Administration		**(1,209)**		(941)
Other Benefit Grants		**(741)**		(584)
Other Government Grants:				
Revenue Support Grant**			(28,289)	
New Homes Bonus Grant	**(2,749)**		(3,362)	
Grants in lieu of Business Rates	**(9,221)**		(2,672)	
Transition Grant	**(1,009)**		(1,026)	
Public Health Grant**				(16,487)
Improved Better Care Fund		**(5,111)**	0	

Adult Social Care	**(1,289)**			
Independent Living Fund		**(982)**		
Troubled Families		**(998)**		
Other Grants		**(5,009)**		(4,937)
Contributions:				
Stockport CCG - Adults Social Care (Pooled)		**(25,682)**		(25,587)
Stockport CCG - Health & Social Care integration*		**(4,717)**		(4,082)
Stockport NHS FT - Health & Social Care integration		**(1,300)**		0
Regional Adoption Agency LA contributions		**(2,381)**		0
Stockport CCG to Children's Social Care		**(551)**		(838)
Total Revenue Grants & Contributions	**(15,222)**	**(305,714)**	(38,593)	(311,994)
Total Grants & Contributions	**(75,951)**	**(307,576)**	(96,668)	(315,280)

*A review of contributions has given rise to an additional disclosure of contributions for 2016/17 (£4.082m). This has also restated the comparative for Note 3 – Expenditure and Income Subjective Analysis.

**As a result of being part of the Greater Manchester 100% Business Rates Retention Pilot, from 2017/18 the Council retains 100% of its Business Rates income and no longer receives Revenue Support Grant and Public Health Grant from the Government.

Analysis of Grants Receipts in Advance

The balance of Grants Receipts in Advance represents grants received that have yet to be recognised as income, as they have conditions attached to them, which will require the grant to be repaid, if conditions are not met. The balances at the year end are as follows:

	2017/18 £000	2016/17 £000
Revenue Grants & Contributions Receipts in Advance		
Housing Benefit	**(958)**	(3,838)
Troubled Families Grant	**(592)**	0
Partners In Practice	**(428)**	0
NEET	**(368)**	0
Regional Adoption Agency contributions	**(307)**	0
NAAS Grant	**(151)**	0
Music Services	**(66)**	0
Schools Sports Co-ordinator	**(53)**	0
Other grants under £60,000	**(283)**	(62)
Early Years	**0**	(105)
Dedicated Schools Grant	**0**	(67)
Total	**(3,206)**	(4,072)

	2017/18 £000	2016/17 £000
Capital Grants Receipts in Advance		
MHCLG	**(2,431)**	(1,161)
Department for Education	**(1,512)**	(1,780)
Department for Transport	**(465)**	(1,902)
DEFRA	**(214)**	(214)
Other government grants	**(45)**	(97)
Department of Health	**(12)**	(333)
Total	**(4,679)**	(5,487)

33. Transactions with Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the ability to control or significantly influence the Council or be controlled or influenced by the Council. This note sets out details of transactions between related parties and the Council.

Central Government: the Government has significant influence over the general operations of the Council. It is responsible for providing the framework within which the Council operates. It also provides the majority of funding for Council services. Grants received from government departments are set out in Note 32.

Members of the Council have direct control over the Council's financial and operating policies. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interests, which is open to public inspection. Members' interests are also available to view via the Council's web site. The total of members' allowances paid in 2017/18 is shown in Note 28.

The Council's Constitution sets out procedures for the declaration of Members' interests, and those of their close family members, at Council meetings and for the withdrawal of Members from meetings, if it is deemed that there is a conflict of interest. Several Members are trustees, employees and Council representatives of various charitable and similar voluntary organisations that receive financial and other support from the Council. During the year, the Council paid £1.266m to organisations in which four members had either a voluntary interest or held a stewardship role.

Corporate Directors and Service Directors are required on an annual basis to make a declaration of related parties. In addition there is a code of conduct under which such officers must disclose any pecuniary and non-financial interests. Related parties were declared in 2017/18 as follows.

The Deputy Director of Public Health holds an honorary contract with NHS Stockport CCG. This is a non-monetary contract that allows the post holder to work in the other organisation whilst being employed by the Council.

Other material related party transactions
The Council has undertaken business on normal contractual terms for the supply of services from the following organisations that are related parties for the purposes of IAS 24:

Borough Care: a residential care provider for the Council.

Life Leisure: provision of leisure services for the Council.

Payments to related parties	**2017/18 £000**	2016/17 £000
Borough Care	**5,864**	5,816
Life Leisure (Stockport Sports Trust)	**1,766**	1,687

Payments from related parties	**2017/18 £000**	2016/17 £000
Borough Care	**17**	3
Life Leisure (Stockport Sports Trust)	**160**	157

Amounts due to SMBC at 31 March	**2017/18 £000**	2016/17 restated £000
Borough Care	**0**	0
Life Leisure (Stockport Sports Trust)	**94**	60

Amounts owed to related parties at 31 March	**2017/18 £000**	2016/17 £000
Borough Care	**154**	213
Life Leisure (Stockport Sports Trust)	**327**	158

Stockport Clinical Commissioning Group (CCG)
The Council's Adult Social Care, Public Health and Health Policy Services form part of the pooled budget with Stockport CCG. Details can be found in Note 27, Pooled Budget arrangements.

Stockport NHS Foundation Trust

- Community/Acute contract 2017/18 - £1.400m (2016/17 - £2.400m)
- Health Visitors 2017/18 - £4.500m (2016/17 - £4.800m)
- Older Peoples Service, Home based Community Contracts 2017/18 - £2.100m (2016/17 - £2.100m)

Pennine Care NHS Foundation Trust

- Drug and Alcohol Service 2017/18 - £1.200m (2016/17 - £1.100m)
- Learning Disabilities contract 2017/18 - £0.981m (2016/17 - £1m)

Central Manchester University Hospitals NHS Foundation Trust

- Sexual Health Contract 2017/18 - £1.500m (2016/17 - £0.836m)

Joint Services

Greater Manchester Combined Authority

Greater Manchester Combined Authority (GMCA) co-ordinates key economic development, regeneration and transport functions and will, in the future, have financial implications which will impact on the availability and use of resources by the Council and the other Greater Manchester Authorities. Transport for Greater Manchester is the executive body of GMCA in relation to its transport functions, responsible for investing in improving transport services and facilities across Greater Manchester.

Association of Greater Manchester Authorities (AGMA)

The Association is a partnership between the ten Local Authorities within the Greater Manchester area. The ten co-operate on a number of issues both statutory and non-statutory, where there is the possibility of improving service delivery by working together. A number of AGMA units exist which the Council contributes to. The expenditure incurred is contained within the relevant service headings in the Comprehensive Income and Expenditure Statement.

Regional Adoption Agency

From 3 July 2017, adoption services in Stockport, Manchester, Trafford, Salford and Cheshire East local authorities are being delivered through an integrated service called Adoption Counts. This is a Regional Adoption Agency as set out in the Education and Adoption Act 2016. Stockport Council is the host of this joint service and is responsible for the finances. The budget for this service in 2017/18 was £2.9m.

Other Public Bodies

The Comprehensive Income and Expenditure Statement, within net cost of services, includes the following amounts that are charged as levies for services not directly provided by the Council:

- Greater Manchester Combined Authority Transport Levy 2017/18 - £10.881m (2016/17 - £19.865m)
- Greater Manchester Waste Disposal Authority 2017/18 - £29.918m (2016/17 - £19.230m)
- The Environmental Agency £0.172m (2016/17 - £0.168m)

Other related parties disclosed elsewhere in the Statement of Accounts

Pension funds are disclosed in other notes to the Core Financial Statements and in Note 36 Defined Benefit Pension schemes.

The Council prepares Group Accounts for entities where it has material financial interests and a significant level of control. The Stockport Council Group comprises Stockport Homes Ltd, Totally Local Company Ltd (formerly Solutions SK Ltd),

Stockport Exchange Phase 2 Ltd and Stockport Hotel Management Company Ltd. More information can be found at The Group Accounts section to the Statement of Accounts.

34. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2017/18 £000	2016/17 £000
Opening Capital Finance Requirement	**624,154**	476,643
Capital Investment		
Property, Plant & Equipment	**120,916**	90,786
Investment Assets	**8,261**	106,654
Heritage Assets	**161**	932
Revenue Expenditure funded from capital under statute	**1,943**	6,019
Loans treated as capital expenditure	**11,236**	32,839
Share Capital		100
	142,517	237,330
Sources of Finance		
Government grants received or receivable	**(60,525)**	(59,932)
Capital receipts	**(1,628)**	(818)
External contributions	**(1,870)**	(2,170)
Direct Revenue Contributions	**(20,288)**	(12,988)
Minimum Revenue Provision (MRP)	**(12,394)**	(13,911)
	(96,705)	(89,819)
Closing Capital Financing Requirement	**669,966**	624,154
Increase/(decrease) in Capital Financing Requirement relating to borrowing	**45,812**	147,511

35. Leases

Stockport Exchange Leases

In March 2013, the Council entered into a series of agreements (leases) to enable the development of a multi-storey car park on the Stockport Exchange site. The development was completed in February 2014 when the lease agreements were triggered.

The agreements comprise separate but linked transactions to establish operating and finance leases for the land and buildings elements of the site.

The outstanding obligations tables for both operating and finance leases payable and receivable include the future minimum payments due under non-cancellable leases in future years, for all the land and buildings transactions for this development under the lease agreements.

Council as Lessee

The Council, on an on-going basis, enters into various operating and finance lease agreements with lessors in providing some of its services.

The Council has finance lease agreements in respect of a multi-storey car park building and intangible assets. The Council leases vehicles, plant and other equipment under the terms of operating leases.

The table below analyses the rentals paid for operating and finance lease by asset classification charged to the Comprehensive Income and Expenditure Statement.

	Operating Lease £000	**Finance Lease £000**	**2017/18 Total £000**	Operating Lease £000	Finance Lease £000	2016/17 Total £000
Land & Buildings	**925**	**913**	**1,838**	913	886	1,799
Plant , equipment & vehicles	**168**		**168**	209		209
Total	**1,093**	**913**	**2,006**	1,122	886	2,008

Certain lease costs paid by the Council are reimbursed by subsidiary companies.

Finance Leases

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments made on finance leases are shown in the table below:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**(940)**	(913)
Later than 1 year and not later than 5 years	**(4,051)**	(3,933)
Over five years	**(41,754)**	(42,812)
Total minimum lease payments	**(46,745)**	(47,658)
Finance costs payable in future years	**33,045**	33,958
Finance lease liability	**(13,700)**	(13,700)

Outstanding obligations to make payments under the finance leases (excluding costs) at 31 March 2018 are as follows:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**0**	0
Later than 1 year and not later than 5 years	**0**	0
Over five years	**(13,700)**	(13,700)
Total	**(13,700)**	(13,700)

Operating Leases

The Council leases land and buildings, vehicles, plant and other equipment under the terms of operating leases, the future minimum lease payments due under non-cancellable leases in future years are shown in the table below:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**926**	985
Later than 1 year and not later than 5 years	**2,950**	3,076
Over five years	**22,070**	22,776
Total	**25,946**	26,837

Council as Lessor

Finance lease

The Council leases a multi-storey car park under a finance lease.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**1,138**	1,105
Later than 1 year and not later than 5 years	**4,904**	4,761
Over five years	**50,547**	51,828
Total minimum lease payments	**56,589**	57,694
Unearned finance income	**(42,889)**	(43,994)
Finance lease asset	**13,700**	13,700

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**0**	0
Later than 1 year and not later than 5 years	**0**	0
Over five years	**13,700**	13,700
Total	**13,700**	13,700

Operating Leases

The Council has numerous operating leasing agreements with private individuals and entities regarding shops, other premises and land where the Council acts as the lessor.

The table below shows future years minimum lease payments receivable:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	**(11,498)**	(9,630)
Later than 1 year and not later than 5 years	**(33,082)**	(27,240)
Over five years	**(216,151)**	(198,889)
Total	**(260,731)**	(235,759)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 £11.699m rents were receivable by the Council (2016/17 £10.344m).

	Property, Plant and Equipment **£000**	Investment Properties **£000**	**Total £000**
Cost or Valuation			
Opening balance at 1 April 2017	11,511	142,229	**153,740**
Changes due to expiry/new leases	(2,235)	1,378	**(857)**
	9,276	143,607	**152,883**
Additions/Transfers	233	37,432	**37,665**
Revaluations	(290)	(1,731)	**(2,021)**
At 31 March 2018	**9,219**	**179,308**	**188,527**
Accumulated Depreciation/ Amortisation and Impairment			
Opening balance at 1 April 2017	(1,327)		**(1,327)**
Changes due to expiry/new leases	135		**135**
	(1,192)		**(1,192)**
Depreciation/Impairment	(120)		**(120)**
Revaluations	(213)		**(213)**
At 31 March 2018	**(1,525)**		**(1,525)**
Net book Value at 31 March 2018	**7,694**	**179,308**	**187,002**
Net book Value at 1 April 2017	10,184	142,229	152,413

36. Pensions – Accounted for as Defined Benefit Pension Schemes

The Council participates in three pension schemes, the details of which are set out in the Statement of Accounting Policies.

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet.

In 2017/18, the Council paid £11.62m to the Department for Education (£11.48m in 2016/17) in respect of teachers' pension costs, which represented 16.48% of teachers' pensionable pay (16.48% in 2016/17). In addition, the Council is responsible for all pension payments relating to added years that it has awarded as discretionary benefits, together with the related increases. In 2017/18 these amounted to £1.26m (£1.28m in 2016/17), representing 1.8% of pensionable pay (1.8% in 2016/17).

There were no contributions remaining payable at the year end (31 March 2017 - £0.035m).

NHS

During 2013/14 Public Health staff transferred to the Council, these staff have maintained their membership of the NHS Pension Scheme. The Scheme provides members with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically an unfunded defined benefit scheme. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet.

In 2017/18, the Council paid £0.041m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.096m in 2016/17), which represented 14.38% of pensionable pay (14.3% in 2016/17). There were no contributions remaining payable at the year end.

Other Employees

In 2017/18, the Council paid an employer's contribution of £17.6m into the Greater Manchester Pension Fund (£18.0m in 2016/17), representing 18.2% of pensionable pay (19.0% in 2016/17). In addition, the Council makes further payments in respect of added years benefits it has awarded, together with the related increases. In 2017/18 these amounted to £0.75m (£0.78m in 2016/17), representing 0.8% of pensionable pay (0.8% in 2016/17).

The Greater Manchester Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme, the scheme is managed by Tameside MBC who became the administering authority in 1987. Each of the member authorities are represented on the Pension Fund Advisory Panel.

Further information can be found in the Greater Manchester Pension Fund's Annual Report which is available upon request from Greater Manchester Pension Fund, Guardsman Tony Downes House, and 5 Manchester Road, Droylsden, M43 6SF.

The costs of retirement benefits are recognised in Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year.

The Balance Sheet holds the underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2018 and they are set out as follows:

Comprehensive Income and Expenditure Statement	**2017/18**			2016/17		
	Net (liability)/ Assets	**Assets**	**Obligations**	Net (liability)/ Assets	Assets	Obligations
	£000	**£000**	**£000**	£000	£000	£000
Cost of Services:						
Service cost comprising:						
- current service cost	**38,729**		**38,729**	23,178		23,178
- past service costs (including curtailments)	**984**		**984**	836		836
Financing and Investment Income and Expenditure						
- interest income on plan assets	**(22,090)**	**(22,090)**		(25,200)	(25,200)	
- interest cost on defined benefit obligation	**30,584**		**30,584**	34,797		34,797
Post-employment benefits charged to CIES	**48,207**	**(22,090)**	**70,297**	33,611	(25,200)	58,811

Other Post-employment benefits charged to the CIES:						
Re-measurement of the net defined benefit liability comprising:						
- return on Plan assets (excluding the amount included in the net interest expense)	**(5,366)**	**(5,366)**		(119,678)	(119,678)	
- actuarial gains and losses arising on changes in demographic assumptions	**0**			1,611		1,611
- actuarial gains and losses arising on changes in financial assumptions	**(22,065)**		**(22,065)**	175,077		175,077
- Other experience	**(241)**		**(241)**	(34,786)		(34,786)
Re-measurements of the net defined pensions liability	**(27,672)**	**(5,366)**	**(22,306)**	22,224	(119,678)	141,902

Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS 19	**(48,207)**	**22,090**	**(70,297)**	(33,611)	25,200	(58,811)
Actual amounts charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to the scheme	**17,599**	**17,599**		18,048	18,048	
- Unfunded Benefits payable to pensioners	**1,989**	**1,989**		2,064	2,064	
Movement on pensions reserve	**(28,619)**	**41,678**	**(70,297)**	(13,499)	45,312	(58,811)

	Greater Manchester Pension Fund		**Teachers' Discretionary** Benefits		**Total**	Total
	31 March 2018 £000	31 March 2017 £000	**31 March 2018 £000**	31 March 2017 £000	**31 March 2018 £000**	31 March 2017 £000
Fair Value of plan assets	**917,467**	861,945		0	**917,467**	861,945
Present value of defined benefit obligation	**(1,172,437)**	(1,149,162)	**(20,078)**	(20,958)	**(1,192,515)**	(1,170,120)
Net liability arising from defined benefit obligation	**(254,970)**	(287,217)	**(20,078)**	(20,958)	**(275,048)**	(308,175)

The funding arrangements and asset liability matching strategy adopted by the pension fund are described in detail in the Greater Manchester Pension Fund's 'Funding Strategy Statement' which gives a summary of the GMPF's approach to funding liabilities.

	Period ended 31 March 2018			Period ended 31 March 2017		
Changes in the Fair Value of Plan Assets	**Net (liability)/ Assets**	**Assets**	**Obligations**	Net (liability)/ Assets	Assets	Obligations
	£000	**£000**	**£000**	£000	£000	£000
Fair Value of Employer Assets	**861,945**	**861,945**	**0**	723,881	723,881	0
Present value of funded liabilities	**(1,137,785)**		**(1,137,785)**	(966,004)		(966,004)
Present value of unfunded liabilities	**(32,335)**		**(32,335)**	(30,329)		(30,329)
Opening position as at 31 March 2017	**(308,175)**	**861,945**	**(1,170,120)**	(272,452)	723,881	(996,333)
Service Costs:						
- current service cost*	**(38,729)**		**(38,729)**	(23,178)		(23,178)
- past service costs (including curtailments)	**(984)**		**(984)**	(836)		(836)
Total service cost	**(39,713)**	**0**	**(39,713)**	(24,014)	0	(24,014)
Net Interest:						
- interest income on plan assets	**22,090**	**22,090**		25,200	25,200	
- interest cost on defined benefit obligation	**(30,584)**		**(30,584)**	(34,797)		(34,797)
Total net interest	**(8,494)**	**22,090**	**(30,584)**	(9,597)	25,200	(34,797)
Total defined benefit cost recognised in Profit or (Loss)	**(48,207)**	**22,090**	**(70,297)**	(33,611)	25,200	(58,811)
Cashflows:						
- Contributions from Members	**0**	**6,076**	**(6,076)**	0	5,986	(5,986)
- Contributions from Employer	**51,673**	**51,673**		18,048	18,048	
- Contributions in respect of unfunded benefits	**1,989**	**1,989**		2,064	2,064	
- Benefits paid	**0**	**(29,683)**	**29,683**	0	(30,848)	30,848
- Unfunded benefits paid	**0**	**(1,989)**	**1,989**	0	(2,064)	2,064
Cashflows	**53,662**	**28,066**	**25,596**	20,112	(6,814)	26,926
Expected closing position	**(302,720)**	**912,101**	**(1,214,821)**	(285,951)	742,267	(1,028,218)
Re-measurements:						
- Changes in demographic assumptions	**0**	**0**	**0**	(1,611)	0	(1,611)
- Changes in financial assumptions	**22,065**	**0**	**22,065**	(175,077)	0	(175,077)
- Other experience	**241**	**0**	**241**	34,786	0	34,786
- Return on assets excluding amounts included in net interest	**5,366**	**5,366**		119,678	119,678	
Total Re-measurements recognised in CIES	**27,672**	**5,366**	**22,306**	(22,224)	119,678	(141,902)
Fair Value of Employer Assets	**917,467**	**917,467**		861,945	861,945	
Present Value of Funded liabilities	**(1,161,739)**		**(1,161,739)**	(1,137,785)		(1,137,785)
Present Value of Unfunded liabilities	**(30,776)**		**(30,776)**	(32,335)		(32,335)
Closing Position as at 31 March 2018	**(275,048)**	**917,467**	**(1,192,515)**	(308,175)	861,945	(1,170,120)

*The service cost figures include an allowance for administration expenses of 0.3% of payroll.

The net pension liability for the Greater Manchester Pension Fund at 31 March 2018 includes a £10.70m liability in respect of unfunded pension payments (31 March 2017 £11.38m liability).

Employer's contributions to the Greater Manchester Pension Fund for the year ended 31 March 2019 will be approximately £17.7m.

The Council opted to make a three year advance payment of its employer pension contributions totalling £51.111m on 3 April 2017, covering employer pension contributions for 2017/18, 2018/19 and 2019/20. By paying contributions up front the Council has been able to able to secure a saving on anticipated employer contributions for the three years. Expected contributions for 2017/18 were £17.037m, but actual contributions, due to the payroll being larger than anticipated over the year, were £17.613m. The difference of £0.576m is due to GMPF at 31 March 2018 and has been allowed for in the actuary's calculations.

The advance payment of pension contribution has caused an imbalance between the pensions reserve (£309.122m) and the pensions liability (£275.048m). This is due to the three year advance payment being accounted for as a reduction in the pensions liability whereas only one year's contributions has been charged to the general fund. The difference of £34.074m represents the balance of the advance pension contribution yet to be charged in 2018/19 and 2019/20.

The last formal actuarial valuation of the Greater Manchester Pension Fund was undertaken as at 31 March 2016. This was carried out in accordance with the statutory requirements. The aim of the triennial valuation is principally to balance the objectives of stability of contributions and ensuring the solvency of the fund. At subsequent year ends the actuary performs an annual assessment which is an update of the formal valuation to reflect current conditions. These annual assessments form the basis of the balances reflected in the Statement of Accounts in accordance with IAS 19. The IAS 19 valuations do not determine the contributions that the Council needs to pay into the fund; these are set by the triennial actuarial valuations. However, the IAS 19 results can give an indication of the expected movement of the position of the fund between triennial valuations. A further valuation will be undertaken as at 31 March 2019.

Liabilities in the Greater Manchester Pension Fund have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, actuaries to the pension fund.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing

Revenue Account the amounts required by statute, as described in the accounting policies note.

The main assumptions used in their calculations are set out below:

Basis for Estimating Assets and Liabilities	Assumptions as at 31 March 2018	Assumptions as at 31 March 2017
Longevity at 65 for current pensioners:		
Men	**21.5 years**	21.5 years
Women	**24.1 years**	24.1 years
Longevity at 65 for future pensioners:		
Men	**23.7 years**	23.7 years
Women	**26.2 years**	26.2 years
Financial Assumptions:		
Rate of increase in pensions	**2.4%**	2.4%
Rate of increase in salaries	**2.5%**	2.5%
Rate for discounting scheme liabilities (actual)	**2.7%**	2.6%

The weighted average duration of the defined benefit obligation for scheme members is 17.5 years.

Life expectancies for the prior year end are based on the Funds VitaCurves. The allowance for future life expectancies is shown below:

Historic Mortality	Prospective Pensioners	Pensioners
Year ended 31 March 2017	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum

Sensitivity Analysis:

Change in Assumptions at 31 March 2018	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	**10%**	**114,782**
0.5% Increase in the Salary increase rate	**1%**	**16,086**
0.5% Increase in the Pension increase rate	**8%**	**97,424**

The sensitivity analysis above is based on reasonable, possible changes to the assumptions occurring at the end of the reporting period. In practice assumptions are unlikely to change and changes may be interrelated. The estimations are in line with accounting policies for the scheme. The methods and types of assumptions used in preparing the analysis have not changed from those used in previous periods.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, a one year increase in life expectancy would increase the Defined Benefit Obligation by approximately 3 - 5%.

Assets in the Greater Manchester Pension Fund are valued at fair value, and consist of equities, bonds, property and cash. The table below sets out the value and proportion of assets held in the said classes together with the prices quoted in the market:

Fair value of scheme asset	**Period ended 31 March 2018**				Period ended 31 March 2017			
	Quoted Prices in active markets	**Quoted Prices not in active markets**	**Total**	**% of Total Assets**	Quoted Prices in active markets	Quoted Prices not in active markets	Total	% of Total Assets
	£000	**£000**	**£000**	**%**	£000	£000	£000	%
Equity Instruments (by industry type):								
Consumer	**52,352**	**0**	**52,352**	**6%**	70,058	0	70,058	8%
Manufacturing	**62,803**	**0**	**62,803**	**7%**	71,737	0	71,737	8%
Energy and Utilities	**49,729**	**0**	**49,729**	**5%**	57,379	0	57,379	7%
Financial Institutions	**75,564**	**0**	**75,564**	**8%**	88,116	0	88,116	10%
Health and Care	**23,449**	**0**	**23,449**	**2%**	30,925	0	30,925	4%
Information Technology	**14,705**	**0**	**14,705**	**2%**	21,898	0	21,898	3%
Other	**8,974**	**0**	**8,974**	**1%**	14,683	0	14,683	2%
Bonds (by sector):								
Corporate Bonds	**34,009**	**0**	**34,009**	**4%**	40,891	0	40,891	5%
UK Government	**7,950**		**7,950**	**1%**	11,340		11,340	1%
Other	**25,531**	**0**	**25,531**	**3%**	27,230	0	27,230	3%
Private Equity:	**0**	**30,702**	**30,702**	**3%**	0	24,490	24,490	3%
Real Estate:								
UK Property	**0**	**31,411**	**31,411**	**3%**	0	23,637	23,637	3%
Investment Funds and Unit Trusts:								
Equities	**248,259**	**0**	**248,259**	**27%**	215,798	0	215,798	24%
Bonds	**118,960**	**0**	**118,960**	**13%**	61,523	0	61,523	7%
Infrastructure		**23,754**	**23,754**	**3%**	0	19,873	19,873	2%
Other	**24,161**	**51,596**	**75,757**	**8%**	15,457	42,960	58,417	7%
Cash and Cash Equivalents:								
All	**33,558**	**0**	**33,558**	**4%**	23,950	0	23,950	3%
Total Assets	**780,004**	**137,463**	**917,467**	**100%**	750,985	110,960	861,945	100%

37. Contingent Liabilities

Municipal Mutual Insurance
In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered, which could affect claims already paid.

On 13 November 2012, the directors of MMI triggered MMI's Scheme of Arrangement.

A levy notice was issued on 1 January 2014 by the Scheme Administrator at a rate of 15% on established scheme liabilities and a further levy notice of 10% was issued in April 2016, bringing the total levy to 25%.

It is expected that the eventual settlement of claims will give rise to additional levies in the future. The Council has made provision of £0.248m (£0.356m in 2016/17) for future levy payments based on actuarial advice and considers that it has adequate insurance reserves of £0.266m (£0.407m in 2016/17) to cover any shortfalls on additional levy payments, should they arise.

Pensions
The Council is the guarantor to a number of organisations with respect to pensions. The Council has agreed to keep under assessment, taking account of actuarial advice, the level of risk arising on premature termination of the organisations by reason of insolvency, winding up or liquidation. If one of the organisations fails to pay any sum payable in respect of the pension liability, then the Council will pay on demand all sums remaining unpaid and will indemnify the Administering Authority, Greater Manchester Pension Fund (GMPF), against all losses, damage costs and expenses arising or incurred by GMPF as a result of the default.

Greater Manchester Loan Funds Guarantee
The Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund. The fund was set up to provide loans to new and growing business in Greater Manchester. This was entered into alongside other Greater Manchester Authorities and given to Manchester City Council in order to underwrite the initial £12m to £14m capital in proportion to its percentage of GM population at the date of the establishment of the fund (June 2013).

For the Council the maximum indemnity will be £1.47m which is 10.5% of the total indemnity. At 31 March 2018 loans totalling £5.550m have been advanced. The risk of the indemnity being called upon is considered to be low. In December 2017 the Greater Manchester Combined Authority approved a proposal which will result in Manchester City Council being reimbursed for the loans advanced during 2018/19.

Housing Investment Fund
The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m over ten years, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM).

The Fund was set up on 1 April 2015 and is administered by Manchester City Council as accountable body. The Fund provides the opportunity to invest in locally prioritised schemes and give the flexibility required to stimulate the market, accelerate growth and increase housing supply.

In return for GM receiving this Fund it must guarantee that 80% of the funds drawn down, to a maximum of £240m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life (this is likely to be in 2028 when all loans advanced are repaid). The Ministry of Housing, Communities and Local Government (MHCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m).

Each GM authority will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For the Council the maximum indemnity will be £25.2m which is 10.49% of the total indemnity. At 31 March 2018 the amount drawn down was £44.127m. It is not currently anticipated that there will be any call on this indemnity.

38. Investments

Long Term Investments
The long term investments are shown in the Balance Sheet as follows:

	31 March 2018	31 March 2017
	£	£
Manchester Airport PLC	**51,900,000**	43,700,002
Stockport Homes Ltd	**0**	0
Totally Local Company Ltd (formerly Solutions SK Ltd)	**2**	2
Stockport Exchange Phase 2 Ltd	**1**	1
Stockport Hotel Management Company Ltd	**100,000**	100,000
Total	**52,000,003**	43,800,005

Manchester Airport plc
The principal activity of Manchester Airport plc is the operation and development of Manchester International Airport. The Council has a 3.22% share of the Airport's share capital, and this has been included in the financial statements at fair value.

A dividend payment of £3.029m was received by the Council in July 2017 relating to the Airport's 2016/17 results (£2.490m received in July 2016 relating to the 2015/16 results). An interim dividend for 2017/18 of £1.784m was received in December 2017 (£1.516m received December 2016).

Stockport Homes Ltd
Stockport Homes Ltd is wholly-owned by the Council and is a company limited by guarantee. The company is an ALMO (arms-length management organisation) of the Council and its principal activities are to manage and maintain the housing stock of the Council. It commenced trading on 1 October 2005 and has been accounted for on the acquisition basis.

Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Totally Local Company Ltd (formerly Solutions SK Ltd)
Totally Local Company Ltd is wholly-owned by the Council and was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. It commenced trading on 1 November 2006 and has been accounted for on the acquisition basis.
Further details of the company and its trading results are set out in the Group Accounts section of these financial statements.

Stockport Exchange Phase 2 Ltd
Stockport Exchange Phase 2 Ltd was formed by MUSE Developments Ltd (MUSE) to undertake the hotel and office block development. As part of the arrangement, there was a put/call option that would be exercised if MUSE failed to find a buyer for either the hotel or offices, or both. The option was exercised on 24 October 2016 and the Council purchased the share capital in the company for £1. There are minimal transactions remaining, the company will become a dormant company and ultimately be wound up.

Stockport Hotel Management Company Ltd
On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council has provided £0.100m of share capital.

39. Accounting Standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) requires the Council to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The following are new standards and amendments to existing standards that have been issued with an effective date of 1 January 2018 and will be formally adopted by the 2018/19 Code.

- IFRS 9 Financial Instruments. This standard replaces International Accounting Standard (IAS) IAS 39 Financial Instruments. The main changes being introduced include new classifications for financial assets driven by cash flow characteristics and how an instrument is managed. New classes of financial instrument are financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit and loss. The other main

changes include a forward-looking expected loss model for impairment rather than an incurred loss model under IAS 39 and new provisions around hedge accounting. There is no requirement to apply the changes retrospectively and the Council does not expect there to be any changes in the measurement of financial assets.

- IFRS 15 Revenue from Contracts with Customers. This standard will require the Council to recognise revenue in such a way that it represents the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services. There is no requirement to apply the changes retrospectively and the Council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows. This is an amendment to the existing standard and aims to improve the information being provided to users of financial statements about the organisation's financing activities. The amendments may require more disclosures following changes in liabilities arising from financing activities, including changes from financing cash flows and changes arising from obtaining or losing control of subsidiaries. The Council has reviewed this and there are no activities that would require additional disclosure had the amendment been applied in 2017/18.
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. This is an amendment to the existing standard to clarify the recognition of a deferred tax asset that is related to a debt instrument measured at fair value. The Council has reviewed this and there are no activities that would require additional disclosure had the amendment been applied in 2017/18.

In addition, prospective changes to future codes include the adoption of IFRS 16, Leases. The effective date for this new standard is 1 January 2019 and it is anticipated that it will be adopted into the Code in 2019/20. This standard removes existing classifications of operating and finance leases and establishes principles for the recognition, measurement, presentation and disclosure of leases. The Standard is still under consultation so it is unclear how it will be adopted by the Code.

40. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

These financial statements have been prepared with reference to the following qualitative characteristics and underlying assumptions:

- Relevance: the accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

- Materiality: the concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted providing that in aggregate they would not affect the interpretation of the accounts.

- Faithful Representation: the financial statements are complete, neutral and free from error, and faithfully represent the phenomena that they purport to represent.

- Comparability: the financial statements are based on the Code which should aid comparison between other local authorities and with other reporting dates.

- Verifiability: these accounts utilise quantified information in order to assure users that this information faithfully represent the economic phenomena that it purports to represent.

- Timeliness: these accounts provide decision makers with information that is capable of influencing their decisions.

- Understandability: these accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms contained within the accounts.

- Accruals Basis: the financial statements, other than the cash flow, are prepared on an accruals basis. Income and Expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

- Going Concern: the accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

- Primacy of Legislation Requirements: in accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following legislative accounting requirements have been applied when compiling these accounts:

    - Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
    - The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

Conventions
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Throughout this Statement of Accounts credit balances are indicated with parentheses, e.g. (£1,234).

b. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The only exception to this principal is for electricity, gas and similar quarterly payments. These are charged at the date of the meter reading rather than being apportioned between financial years.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c. Acquisitions and Discontinued Operations

Acquired operations
Any material operations acquired or discontinued by the Council during the accounting period are disclosed in the accounts.

d. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

e. Council Tax and Business Rates

Billing Authorities act as Agents, collecting Council Tax and Business Rates on behalf of the major preceptors and as principals, collecting Council Tax and

Business Rates for themselves. Billing Authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

Accounting for Council Tax and Business Rates

The Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and Business Rates that must be included in the Council's General Fund for the year. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund for the year is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and Business Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments, and appeals.

Accounting for Business Improvement District

A Business Improvement District (BID) scheme applies to Stockport Town Centre from 1 April 2017. The scheme is funded by a BID levy paid by Business Rates ratepayers. The Council acts as an agent for the scheme. It collects the BID levy on behalf of the scheme and pays this to the BID body, without bearing any of the risks or rewards of the scheme.

f. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

g. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

h. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

i. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination

benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits
Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Business Services Ltd on behalf of the Department for Education (DfE);
- The NHS Pension scheme, administered by NHS Business Services Authority; and
- The Local Government Pensions Scheme, administered by Tameside Metropolitan Borough Council as the Greater Manchester Pension Fund (GMPF).

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the NHS and teachers' schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Dedicated Schools Grant line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Health line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors.
- The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

The change in the net pension liability is analysed into the following components:

Service Costs

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Cash Limit costs.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Greater Manchester Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of

the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

j. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

k. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

I. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis; and
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in

the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

m. Heritage Assets

Heritage assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets comprise:

- Properties and monuments are carried at historical cost with depreciation charged as for assets within property, plant and equipment, where it is considered the assets do not have indefinite lives. Due to the specialist and unique nature of the properties, the Council considers that it is not practicable to obtain valuations at a cost which is commensurate with the benefits to users of the financial statements. This also applies to various statues and monuments where no cost or valuation information is available and which have been excluded from the Balance Sheet.
- Various collections which are exhibited or stored at the Council's museums, halls and the art gallery. These are reported at insurance valuation which is based on market values. A detailed insurance valuation was prepared in 2010/11 and this has been reviewed and updated in subsequent years for renewal purposes. This would include in year donations where an insurance valuation is considered appropriate. Formal valuations for insurance purposes are performed on a periodic basis. The collections comprise:

    1. Fine and decorative arts
    2. Social and industrial history
    3. Civic Regalia

Assets within the collections are considered to have indeterminate lives hence the Council does not consider it appropriate to charge depreciation. Collections which are on loan to the Council are not included in the Balance Sheet valuation.

The carrying amounts of heritage assets are reviewed and where there is evidence of impairment this is recognised and measured in line the Council's general policy on asset impairment.

n. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Capital grants and contributions used to fund Revenue Expenditure Funded from Capital Under Statute have been accounted for as revenue grants/contributions at the point at which it is known that they will fund such expenditure.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

o. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the

fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

p. Interests in Companies and Other Entities

The Council has material interests in companies that have the nature of subsidiaries and which require it to prepare group accounts. An assessment of the Council's interests has been completed during the year to determine the relationships that exist and whether they should be included in the Council's Group accounts.

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

q. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not

depreciated but are revalued annually according to market conditions at the year end.

An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction is complete, whichever comes first. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

r. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment and intangibles held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment and intangibles recognised under finance leases are accounted for using the policies applied generally to such assets, subject to

depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor
Finance Leases
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.
Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease

debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of noncurrent assets is fully provided for under separate arrangements for capital financing.

Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement (relating to investment properties). Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

s. Material Items of Income and Expenditure

Where items of income and expenditure are material their nature and amount are disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. Disclosure will depend on upon how significant the items are to the understanding of the reader of the accounts.

t. Overheads and Support Services

The Council operates and manages its support services within the Reform and Governance Portfolio and this is how the costs relating overheads and support services are reported to management. The costs of overheads and support services are therefore not re-apportioned across other Council Portfolios.

u. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of good or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure is capitalised subject to a de minimis level of £10,000, except for devolved education expenditure where a de minimis level of £2,000 is applied.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the bases set out in the Property, Plant and Equipment note to the Core Statements. Where material, buildings (non council dwellings) which have been revalued from 1 April 2010 have been valued on an average asset life basis, which averages typical costs of components of buildings over maximum life expectancy for these components. Depreciation is calculated on these average lives which range from 30 to 40 years, compared to the normal life expectancy of buildings of 40 years. Components of council dwellings whose cost is significant in relation to the total cost of the dwellings are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

v. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

w. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and employee benefits and do not represent usable resources for the Council – these reserves are further explained in the relevant policies.

Internal Insurance Funds

The Council operates two main self-insurance funds, set up to meet potential future claims and claims agreed in principal but yet to be settled.

The funds have been split between provisions, reflecting claims which are certain or very likely to occur and reserves, for unknown future claims.

x. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset and has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

y. Revenue Recognition

Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period which result in an increase in net worth. Revenue is measured as fair value of the consideration received or receivable. In most cases the consideration is in the form of cash and cash equivalents.

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Where the Council is acting as Agent of another organisation, the amounts collected on behalf of that organisation are excluded from the Council's revenue.

Revenue for Council Tax and Business Rates is recognised when the amount of revenue can be measured reliably and it is probable it will be received by the Council.

z. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council Statement of

Accounts (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

aa. Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Housing Revenue Account

HRA INCOME AND EXPENDITURE STATEMENT	2017/18 £000	2016/17 £000	Note
INCOME			
Dwelling rents	**(43,618)**	(44,150)	
Other rents	**(9)**	(24)	
Charges for services and facilities	**(8,903)**	(8,820)	11
Contributions towards expenditure	**(1,439)**	(1,794)	
Total Income	**(53,969)**	(54,788)	
EXPENDITURE			
Repairs and maintenance	**13,486**	13,476	
Supervision and management	**15,753**	15,780	
Rents, rates, taxes and other charges	**5,493**	5,368	11
Bad or doubtful debts	**308**	208	8
Depreciation of non-current assets	**11,215**	10,893	7
Revaluation (gains)/losses of non-current assets	**(19,095)**	(54,682)	10
Debt management costs	**52**	62	
Total expenditure	**27,212**	(8,895)	
Net Income of HRA Services per Council Comprehensive Income and Expenditure Statement	**(26,757)**	(63,683)	
HRA services share of Corporate and Democratic Core	**128**	128	
Net Income for HRA Services	**(26,629)**	(63,555)	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/ Loss on the sale of HRA non-current assets	**(1,577)**	(1,036)	
Interest payable and similar charges	**5,554**	5,784	6
Interest and investment income	**(326)**	(351)	
Change in fair value of investment properties		(52)	
Capital grants and contributions receivable	**(1,148)**	(386)	
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	**(24,126)**	(59,596)	

MOVEMENT ON THE HRA STATEMENT	2017/18 £000	2016/17 £000	Note
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	**(24,126)**	(59,596)	
Adjustments between accounting basis and funding basis under statute	**28,080**	60,643	1
Net (increase)/decrease before transfers to reserves	**3,954**	1,047	
Transfer to/(from) earmarked reserves	**(4,059)**	(494)	
Decrease/ (Increase) in the Housing Revenue Account Balance	**(105)**	553	
Housing Revenue Account Surplus brought forward	**(1,000)**	(1,553)	
Housing Revenue Account Surplus carried forward	**(1,105)**	(1,000)	

Notes to the Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement. Statutory disclosures comply with the Housing Revenue Account (Accounting Practices) Directions 2016.

The Council utilises an Arms-Length Management Organisation "Stockport Homes Ltd" to manage the housing stock on its behalf.

1. Adjustments between Accounting Basis and Funding Basis Under Statute

	2017/18 £000	2016/17 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Gain/(loss) on sale of HRA assets	**1,577**	1,036
Change in fair value of investment assets		52
Depreciation on non-current assets	**(11,215)**	(10,893)
Revaluation gains/losses on HRA assets	**19,095**	54,682
Capital grants and contributions	**1,148**	386
Net charges made for retirement benefits in accordance with IAS 19	**(84)**	(21)
	10,521	45,242
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfer to/(from) Major Repairs Reserve	**11,215**	10,893
Voluntary MRP for debt repayment	**392**	4,170
Capital Expenditure funded from the HRA	**5,952**	338
	17,559	15,401
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**28,080**	60,643

2. Housing Stock Numbers and Valuation

	Numbers at 31 March 2018	Numbers at 31 March 2017
HOUSING STOCK		
Houses	**4,781**	4,824
Flats	**5,888**	5,945
Bungalows	**521**	518
Total Housing Stock	**11,190**	11,287

	Valuation at 31 March 2018 £000	Valuation at 1 April 2017 £000
Operational assets:		
Housing Stock Valuation	**325,954**	303,835
Land Valuation	**84,155**	78,537
	410,109	382,372
Other land and buildings	**386**	183
Other plant and equipment	**8,330**	8,625
Leasehold improvements		80
Investment assets	**7,400**	7,400
Assets under construction	**5,972**	1,957
Council dwellings held for sale	**273**	692
Total	**432,470**	401,309

Valuation of operational property is net of depreciation. Housing stock and land valuations are included together as Council Dwellings on the Balance Sheet. The method of valuation is set out in the accounting policies and in Note 11 to the Core Statements.

3. Vacant Possession Value

The vacant possession value as at 31 March 2018 was £1,017.2m (£949.4m as at 1 April 2017). The vacant possession value is an opinion of the best sale price that could have been obtained for the property on the date of the valuation. The balance sheet valuation contains an adjustment to reflect the fact that council dwellings have sitting tenants enjoying sub-market rents and rights including right to buy. The adjustment factor measures the difference between market and sub-market rents at a regional level and is set out in the "Stock Valuation for Resource Accounting – Guidance for valuers 2016". For 2017/18 and 2016/17 the percentage applicable for the North West was 40% compared to 35% for 2015/16. This gave rise to an increase in value due to this factor alone of £48.8m in 2016/17.

4. Capital Expenditure and Financing

Capital expenditure in the year amounted to £26.005m on council dwellings including spend in assets under construction. This was financed as follows:

	2017/18 £000	2016/17 £000
Borrowing	**6,917**	1,462
Grants and contributions	**1,148**	386
Revenue Contribution to Capital Outlay	**5,952**	338
Major Repairs Reserve	**11,215**	10,389
Capital Receipts	**773**	0
Total	**26,005**	12,575

5. Capital Receipts

	2017/18 £000	2016/17 £000
Disposal of dwellings under Right to Buy	**5,617**	3,251
Disposal of shared ownership properties	**773**	59
Other disposals	**9**	3
Deductions from capital receipts	**(126)**	(79)
Net capital receipts before pooling	**6,273**	3,234
Due to Housing Pool	**(2,921)**	(1,856)
Total	**3,352**	1,378

6. Interest payable and similar charges

	2017/18 £000	2016/17 £000
Interest charge under self-financing regime	**5,069**	5,155
Interest on prudential borrowing	**485**	629
Total	**5,554**	5,784

7. Depreciation

The HRA is charged an amount for depreciation of assets.

	2017/18 £000	2016/17 £000
Operational assets		
Council dwellings	**10,700**	10,389
Other land and buildings	**4**	0
Plant and equipment (solar panels)	**431**	424
Plant and equipment (leasehold improvements)	**80**	80
Total	**11,215**	10,893

8. Rent Arrears

As at 31 March 2018 rent arrears (excluding amounts collectable on behalf of other agencies) amounted to £2.542m (£2.031m at 31 March 2017). The aggregate balance sheet provision in respect of all uncollectable debts amounted to £1.487m (£1.382m at 31 March 2017).

The increase in provision of £0.105m has been added to the debts written off in the year of £0.203m to arrive at the bad and doubtful debt charge of £0.308m.

9. IAS 19 Employee Benefits

The Housing Revenue Account recognises, within Net Cost of Services, a share of the full IAS 19 costs borne by the Council for defined benefit pension schemes. These costs, comprising current service costs, have been allocated via corporate recharges. To ensure that the costs have no impact on the net deficit or on the level of rents, the charges are reversed out of the Housing Revenue Account via an appropriation from the Statement of Movement on the HRA balance.

10. Revaluation Gain of non-current assets

The revaluation gain on non-current assets calculated under proper practices is £19.095m (2016/17 revaluation gain of £54.682m), all of which relates to council dwellings (including land). The gain has arisen due to an increase in the HM Land Registry indices of 7.97% over 2016/17 offset by investment in council dwellings which has not resulted in a £ for £ increase in value. These gains offset previous impairments charged to the HRA Income and Expenditure Account.
The 2016/17 gain included £48.8m which related to the increase in social housing adjustment factor (see Note 3).

11. Water Charges Collection

Since 2009/10 the Council has been responsible for collecting water charges from HRA tenants on behalf of United Utilities and Tenants' agreements were amended accordingly. The income and expenditure are included in charges for services and facilities and rents, rates, taxes and other charges respectively. They include commission due from United Utilities to cover the costs of collection.

The surplus relating to the collection of water charges of £0.172m is held within overall HRA balance.

	2017/18 £000	2016/17 £000
Income		
Other	**(4,313)**	(4,296)
Water	**(4,590)**	(4,524)
Charges for services & facilities	**(8,903)**	(8,820)
Expenditure		
Other	**903**	844
Water	**4,590**	4,524
Rents, rates, taxes & other charges	**5,493**	5,368
Water charges surplus	**0**	0
Water surplus brought forward	**(172)**	(172)
Water surplus carried forward	**(172)**	(172)

Collection Fund Statement

	2017/18 COUNCIL TAX £000	2017/18 NDR £000	2017/18 TOTAL £000	2016/17 COUNCIL TAX £000	2016/17 NDR £000	2016/17 TOTAL £000	Note
INCOME							
Council Tax	**(164,326)**		**(164,326)**	(154,010)		(154,010)	*1*
Non-Domestic Rates		**(82,560)**	**(82,560)**		(98,702)	(98,702)	*2*
Grant from Central Government	**(4)**		**(4)**	(4)		(4)	
Total Income	**(164,330)**	**(82,560)**	**(246,890)**	(154,014)	(98,702)	(252,716)	
EXPENDITURE							
Precepts and Demands:							
Stockport Metropolitan Borough Council	**140,897**	**81,093**	**221,990**	131,461	46,826	178,287	
Greater Manchester Fire and Rescue Authority	**5,551**	**819**	**6,370**	5,331	956	6,287	
Greater Manchester Police and Crime Commissioner	**15,027**		**15,027**	14,267		14,267	
Non-Domestic Rates:							
Payment to national pool		**0**	**0**		47,782	47,782	
Cost of collection		**428**	**428**		438	438	
Provisions:							
Provision for doubtful debts	**1,279**	**863**	**2,142**	1,816	1,493	3,309	*3*
Provision for appeals		**2,364**	**2,364**		1,368	1,368	*3*
Total Expenditure	**162,754**	**85,567**	**248,321**	152,875	98,863	251,738	
In year (surplus)/deficit	**(1,576)**	**3,007**	**1,431**	(1,139)	161	(978)	
CONTRIBUTIONS							
Previous years deficit recovery:							
Stockport Metropolitan Borough Council	**0**	**(355)**	**(355)**	(238)	(1,072)	(1,310)	
Greater Manchester Fire and Rescue Authority	**0**	**(7)**	**(7)**	(10)	(22)	(32)	
Greater Manchester Police and Crime Commissioner	**0**		**0**	(28)		(28)	
Central Government		**(364)**	**(364)**		(1,094)	(1,094)	
Previous years surplus distribution:							
Stockport Metropolitan Borough Council	**367**	**0**	**367**	0	0	0	
Greater Manchester Fire and Rescue Authority	**15**	**0**	**15**	0	0	0	
Greater Manchester Police and Crime Commissioner	**42**		**42**	0		0	
Central Government		**0**	**0**		0	0	
In year contributions	**424**	**(726)**	**(302)**	(276)	(2,188)	(2,464)	

continued……

Collection Fund Statement - Balances

	2017/18 COUNCIL TAX £000	2017/18 NDR £000	2017/18 TOTAL £000	2016/17 COUNCIL TAX £000	2016/17 NDR £000	2016/17 TOTAL £000
Balance brought forward at 1 April	**(1,139)**	**161**	**(978)**	276	2,188	2,464
Previous year forecast surplus/deficit distributed/(recovered) in year	**424**	**(726)**	**(302)**	(276)	(2,188)	(2,464)
Revised balance brought forward from previous year	**(715)**	**(565)**	**(1,280)**	0	0	0
In year (surplus)/deficit	**(1,576)**	**3,007**	**1,431**	(1,139)	161	(978)
Balance carried forward at 31 March	**(2,291)**	**2,442**	**151**	(1,139)	161	(978)
Allocated to:						
Stockport Metropolitan Borough Council	**(1,989)**	**2,700**	**711**	(994)	79	(915)
Greater Manchester Fire and Rescue Authority	**(85)**	**24**	**(61)**	(39)	2	(37)
Greater Manchester Police and Crime Commissioner	**(217)**		**(217)**	(106)		(106)
Central Government		**(282)**	**(282)**		80	80
	(2,291)	**2,442**	**151**	(1,139)	161	(978)

Notes to the Collection Fund Account

As a Billing Authority, the Council has a statutory obligation to maintain a separate Collection Fund account from its General Fund account. The purpose of the Collection Fund account is to isolate the income and expenditure relating to Council Tax and Business Rates. The administrative costs associated with the collection process are charged to the Council's General Fund account in the financial year they are incurred.

The Collection Fund Statement shows the transactions of the Billing Authority in relation to the collection from taxpayers of Council Tax and from businesses of Business Rates for the financial year. The Statement also shows the distribution of these income streams to the relevant precepting authorities and Central Government during the financial year. For Stockport, the Council Tax precepting authorities are the Greater Manchester Police and Crime Commissioner (GMPCC) and the Greater Manchester Fire and Rescue Authority (GMFRA). For Business Rates, the precepting authority is GMFRA.

1. Council Tax

Council Tax income derives from charges raised against residential dwellings within the Borough based on their valuation banding (A to H). Council Tax charges are calculated by estimating the total amount of Council Tax income required by the Council and the precepting authorities for the forthcoming financial year. This is divided by the Council Tax Taxbase (i.e. the number of Band D equivalent dwellings) to calculate the Council Tax charge for a Band D dwelling. The Council Tax charge for each of the other Bands is calculated as a proportion of the Band D equivalent charge.

The Council Tax Taxbase for 2017/18 was 93,997 (92,079 in 2016/17). The Council Tax Taxbase for 2017/18 was calculated as follows:

Band	Valuation*	Dwellings on the Valuation List	Adjusted Chargeable Dwellings**	Relevant Proportion	Band D Equivalent Dwellings
A	Up to £40,000	30,950	25,677	06/09	17,114
B	£40,001 to £52,000	27,507	24,216	07/09	18,835
C	£52,001 to £68,000	27,846	25,118	08/09	22,327
D	£68,001 to £88,000	19,074	17,500	09/09	17,500
E	£88,001 to £120,000	12,624	11,756	11/09	14,368
F	£120,001 to £160,000	6,165	5,780	13/09	8,349
G	£160,001 to £320,000	3,336	3,144	15/09	5,240
H	Over £320,000	189	143	18/09	287
					104,020
Allowance for Local Council Tax Support Scheme and Discounts					(11,103)
Forecast of Additional Liable Properties During the Year					1,080
Council Tax Taxbase for Budget Setting Purposes					**93,997**
Council Tax Taxbase Adjusted for Collection Rate 98.5%* **					**92,587**

*"Valuation" represents the open market value at 1 April 1991, as assessed by the Inland Revenue.
**"Adjusted chargeable dwellings" gives the effective number of dwellings in each band after allowing for disabled relief, appeals against bandings, single persons discounts etc.
***In setting its budget the Council applies an assumed collection rate of 98.5% to its Council Tax Taxbase

The Council Tax shares payable to the Council and the precepting authorities were estimated as part of the 2017/18 budget setting process. These sums have been paid in 2017/18 and charged to the Collection Fund account in year. The surplus or deficit relating to Council Tax is apportioned to the Council and the precepting authorities. For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and released in the following financial year. For example, the outturn surplus or deficit declared in 2017/18 has been budgeted for and will be realised by the Council and the precepting authorities in 2018/19. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and the precepting authorities until 2019/20.

2. Business Rates

Local Authorities and Fire and Rescue Authorities are funded (in part) through the local retention of Business Rates. The main aim of the Business Rates retention scheme is to give Local Authorities a greater incentive to grow their local economies and increase their locally raised Business Rates income. This does however, increase the financial risk due to non-collection and the volatility of the Business Rates Taxbase. The Council's Business Rates collection rates are monitored throughout the year to mitigate the impact of any financial risks.

When the retention scheme was introduced, Central Government set baselines for each Local Authority and a top-up and tariff system to ensure all authorities received at least their baseline amount each year. As Stockport is able to collect Business Rates income above its baseline, the Council is required to pay a tariff to Central Government each financial year. The total amount of tariffs collected nationally are used by Central Government to fund the Top-up grants to those Authorities who cannot achieve their baseline funding levels.

In 2017/18 the Council operated under the Greater Manchester 100% Business Rates retention pilot with 99% of Business Rates income retained by the Council and 1% by GMFRA.

The Council's Business Rates Taxbase is based on the rateable value of individual business properties within the Borough as assessed by the Valuation Office Agency (VOA). The total rateable value at 31 March 2018 for the Stockport area was £226.184m (£237.451m at 31 March 2017). The rateable value of each property, as assessed by the VOA, is multiplied by the Uniform Business Rate determined annually by Central Government to determine the collectable Business Rates income. For 2017/18 this was 47.9p in the pound (49.7p in 2016/17) and relief of 1.3p in the pound was given to small business properties (1.3p in 2016/17).

The Business Rates income shares payable to the Council and GMFRA were estimated as part of the 2017/18 budget setting process. These sums have been paid in 2017/18 and charged to the Collection Fund account in year. The surplus or deficit relating to Council Tax is apportioned to the Council and the GMFRA. For budget setting purposes an estimate of the outturn surplus or deficit is declared in January which allows for this amount to be budgeted for and released in the following financial year. For example, the outturn surplus or deficit declared in 2017/18 has been budgeted for and will be realised by the Council and GMFRA in 2018/19. The difference between the declared outturn surplus or deficit and the actual outturn surplus or deficit is not realised by the Council and GMFRA until 2019/20.

3. Movement on Bad Debt and Appeals Provisions

The Collection Fund account provides for bad debts on Council Tax arrears as shown below:

	2017/18 COUNCIL TAX £000		2016/17 COUNCIL TAX £000	
Provision for Doubtful Debts				
Balance brought forward		**(4,634)**		(4,893)
Write offs in year	**1,217**		2,075	
New contribution to provision in year	**(1,279)**		(1,816)	
Net increase/decrease in provision in year		**(62)**		259
Balance carried forward		**(4,696)**		(4,634)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(4,045)**		(4,258)
Write offs in year	**1,077**		1,798	
New contribution to provision in year	**(1,111)**		(1,585)	
Net increase/decrease in provision in year		**(34)**		213
Balance carried forward		**(4,079)**		(4,045)

The Collection Fund account provides for bad debts on Business Rates arrears as shown below:

	2017/18 BUSINESS RATES £000		2016/17 BUSINESS RATES £000	
Provision for Doubtful Debts				
Balance brought forward		**(5,054)**		(6,504)
Write offs in year	**1,119**		2,943	
New contribution to provision in year	**(863)**		(1,493)	
Net increase/decrease in provision in year		**256**		1,450
Balance carried forward		**(4,798)**		(5,054)
The Council's Share of the Provision for Doubtful Debts				
Balance brought forward		**(2,477)**		(3,186)
Additional Provision due to 100% Business Rates Retention Pilot	**(2,527)**			
Write offs in year	**1,107**		1,441	
New contribution to provision in year	**(854)**		(732)	
Net increase/decrease in provision in year		**(2,274)**		709
Balance carried forward		**(4,751)**		(2,477)

An aspect of the financial risk associated with the Business Rates retention scheme is the volatility of the Business Rates Taxbase as a result of outstanding rateable value appeals by businesses. To mitigate this risk, the Council monitors outstanding rating appeals lodged in the appeals system managed by the VOA and assesses the risk of these appeals being successful in future financial years. At the end of each financial year these appeals are valued in order to quantify the level of provision required to fund any backdated impact on the Council's Business Rates income if appeals are successful.

The total provision for appeals in the Collection Fund at 31 March 2018 is £9.409m (£7.045m at 31 March 2017).

	2017/18 BUSINESS RATES £000		2016/17 BUSINESS RATES £000	
Provision for Business Rates Appeals				
Balance brought forward		**(7,045)**		(5,677)
Use of provision in year for settled appeals	**1,929**		1,429	
New contribution to provision in year	**(4,293)**		(2,797)	
Net increase/decrease in provision in year		**(2,364)**		(1,368)
Balance carried forward		**(9,409)**		**(7,045)**
The Council's Share of the Provision for Appeals				
Balance brought forward		**(3,452)**		(2,781)
Additional Provision due to 100% Business Rates Retention Pilot	**(3,522)**			
Use of provision in year for settled appeals	**1,910**		700	
New contribution to provision in year	**(4,250)**		(1,371)	
Net increase/decrease in provision in year		**(5,862)**		(671)
Balance carried forward		**(9,314)**		(3,452)

4. Greater Manchester 100% Business Rates Retention Pilot

During the year, Greater Manchester has been one of the regions piloting the full retention of Business Rates. The purpose of this Pilot is to develop and trial approaches to manage risk and reward and to finance from additional Business Rates income, new responsibilities and/or existing funding streams including those that support economic growth. It is hoped that the Business Rates retention scheme will provide stable funding streams and incentivise local economic growth. As a result of the Pilot the Council has not received the Revenue Support Grant or Public Health Grant from Government in 2017/18. Instead the Council has retained 100% of its Business Rates income locally; 99% Council, 1% Greater Manchester Fire and Rescue Authority (rather than pay 50% of the Business Rates income to Government) to support the funding of Council Services.

Being part of the Greater Manchester Pilot provides the Council and Greater Manchester region with potential financial benefits with the guarantee that Authorities

will not be worse off as a result of the Pilot. The ‘No Detriment’ agreement guarantees that the resources available to the Council under the existing 50% retention scheme will be the same under the 100% Pilot.

The Council has benefited from this Pilot compared to the income it would have received under the 50% retention scheme. The Council has been able to retain £4.360m of income that would have been paid to Government in previous years. It was always the intention that the Greater Manchester Region as a whole would benefit from the 100% Business Rates Retention Pilot and agreed that a minimum of 50% of the benefit would be retained by Authorities and any balance retained by the Greater Manchester Combined Authority (GMCA). As a result the Council will retain £2.180m of the benefit which will be used to support the Council’s 2018/19 budget as approved at the Budget Council meeting on 22 February 2018. The GMCA share will be used to support the delivery of Greater Manchester priorities.

The Council will remain in the 100% Pilot in 2018/19 and expects the benefit from the Pilot to continue. Formal confirmation is awaited on the continuation of the existing Pilots (including the Greater Manchester Pilot) beyond 2018/19, and whether these will be on a 100% or 75% retention basis in line with the Government’s intention to roll out 75% retention of Business Rates by all Local Authorities from 2020/21.

THE GROUP ACCOUNTS

Background

The Accounting Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Group Accounts comprise the following key financial statements (with appropriate disclosures):

- Group Comprehensive Income and Expenditure Statement;
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement

Please refer to the explanation of statements on page 30 for further description of the purpose of each statement.

Group Comprehensive Income and Expenditure Statement

	Gross Exp-enditure £000	**Gross Income £000**	**2017/18 Net Exp-enditure £000**	Gross Exp-enditure £000	Gross Income £000	2016/17 Net Exp-enditure £000	Note
Adult Social Care	**134,268**	**(63,025)**	**71,243**	125,942	(55,516)	70,426	
Children & Family Services	**39,532**	**(7,786)**	**31,746**	32,553	(4,869)	27,684	
Communities & Housing	**63,115**	**(9,936)**	**53,179**	46,404	(9,861)	36,543	
Economy & Regeneration	**7,333**	**(2,826)**	**4,507**	8,086	(3,257)	4,829	
Education	**6,183**	**(2,894)**	**3,289**	6,014	(2,760)	3,254	
Health	**19,371**	**(2,942)**	**16,429**	18,814	(18,093)	721	
Reform & Governance	**50,912**	**(9,321)**	**41,591**	49,135	(8,658)	40,477	
Non Cash Limits	**119,569**	**(72,896)**	**46,673**	120,876	(76,461)	44,415	
Dedicated Schools Grant	**217,210**	**(200,863)**	**16,347**	226,226	(199,551)	26,675	
Housing Revenue Account	**27,212**	**(53,969)**	**(26,757)**	39,946	(54,788)	(14,842)	
Housing Revenue Account - Social Housing Adjustment Factor				(48,841)		(48,841)	
Results of subsidiaries	**20,343**	**(22,171)**	**(1,828)**	11,220	(15,466)	(4,246)	8
Cost Of Services	**705,048**	**(448,629)**	**256,419**	636,375	(449,280)	187,095	
Other Operating Expenditure	**803**		**803**	2,631		2,631	
Financing and Investment Income and Expenditure	**65,175**	**(48,187)**	**16,988**	88,327	(48,948)	39,379	
Taxation and Non-Specific Grant Income	**0**	**(295,431)**	**(295,431)**	0	(297,070)	(297,070)	
(Surplus) or Deficit on Provision of Services	**771,026**	**(792,247)**	**(21,221)**	727,333	(795,298)	(67,965)	
Tax expenses of subsidiaries	**333**		**333**	199		199	
Group (Surplus)/Deficit	**771,359**	**(792,247)**	**(20,888)**	727,532	(795,298)	(67,766)	7
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			**(90,380)**			(49,249)	
Re-measurement of the net defined benefit liability			**(32,214)**			23,309	
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services							
(Surplus) of deficit on revaluation of Available for Sale Financial Assets			**(8,200)**			(3,900)	
Other Comprehensive Income and Expenditure			**(130,794)**			(29,840)	
Total Comprehensive Income and Expenditure			**(151,682)**			(97,606)	

Group Movement in Reserves Statement

The total Council Reserves are set out in the single entity Movement in Reserves Statement and the supporting notes to the Single Entity Core Statements.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000	Group Income and Expenditure Account £000	Total Group Reserves £000
Balance at 31 March 2016	(94,708)	(7,427)	(6,462)	0	(9,644)	(118,241)	(451,750)	(569,991)	3,756	(566,235)
Movement in reserves during 2016/17:										
Total Comprehensive Income and Expenditure	(3,685)	(59,596)				(63,281)	(30,925)	(94,206)	(3,400)	(97,606)
Adjustments between accounting basis and funding basis under regulations	3,325	60,643	(757)	0	740	63,951	(63,951)	**0**	**0**	**0**
(Increase)/Decrease in 2016/17	**(360)**	**1,047**	**(757)**	**0**	**740**	**670**	**(94,876)**	**(94,206)**	**(3,400)**	**(97,606)**
Balance at 31 March 2017 carried forward	**(95,068)**	**(6,380)**	**(7,219)**	**0**	**(8,904)**	**(117,571)**	**(546,626)**	**(664,197)**	**356**	**(663,841)**
Movement in reserves during 2017/18:										
Total Comprehensive Income and Expenditure	**6,275**	**(24,126)**				**(17,851)**	**(113,192)**	**(131,043)**	**(20,639)**	**(151,682)**
Adjustments between accounting basis and funding basis under regulations	(8,059)	28,080	(930)	0	(196)	18,895	(18,895)	**0**	**0**	**0**
(Increase)/Decrease in 2017/18	**(1,784)**	**3,954**	**(930)**	**0**	**(196)**	**1,044**	**(132,087)**	**(131,043)**	**(20,639)**	**(151,682)**
Balance at 31 March 2018 carried forward	**(96,852)**	**(2,426)**	**(8,149)**	**0**	**(9,100)**	**(116,527)**	**(678,713)**	**(795,240)**	**(20,283)**	**(815,523)**

Group Balance Sheet

	31 March 2018 £000	31 March 2017 Restated* £000	Note
Property, Plant & Equipment			
- Council dwellings	**449,764**	401,937	
- Other land and buildings	**544,670**	463,853	
- Vehicles, plant, furniture and equipment	**22,213**	22,256	
- Infrastructure	**195,130**	179,745	
- Community assets	**1,717**	1,729	
- Surplus assets not held for sale	**5,029**	5,035	
- Assets under construction	**180,915**	137,360	
Property, Plant & Equipment	**1,399,438**	1,211,915	5
Heritage Assets	**11,466**	12,826	
Investment Property	**200,756**	195,491	
Intangible Assets	**232**	475	
Long Term Investments	**52,000**	43,800	
Long Term Debtors	**12,681**	13,055	
Long Term Finance lease Debtors	**13,700**	13,700	
Long Term Assets	**1,690,273**	1,491,262	
Assets Held for Sale (short term)	**586**	1,080	
Inventories	**5,707**	4,340	
Cash and Cash Equivalents	**51,974**	53,833	9
Short Term Debtors	**81,347**	73,202	2
Current Assets	**139,614**	132,455	
Bank Overdraft	**(34,324)**	(13,872)	9
Short Term Creditors	**(90,772)**	(80,711)	3
Short Term Provisions	**(8,384)**	(4,357)	4
Short Term Borrowing	**(129,482)**	(112,364)	
Current Liabilities	**(262,962)**	(211,304)	
Long Term Creditors	**(13,123)**	(13,458)	
Long Term Provisions	**(6,465)**	(5,235)	4
Long Term Borrowing	**(411,859)**	(376,552)	
Other Long Term Liabilities - Net pensions liability	**(296,922)**	(330,068)	6
Other Long Term Liabilities - Finance leases	**(13,700)**	(13,700)	
Revenue Grants Receipts in Advance	**(3,206)**	(4,072)	
Capital Grants Receipts in Advance	**(6,127)**	(5,487)	
Long Term Liabilities	**(751,402)**	(748,572)	
Net Assets	**815,523**	663,841	
Usable reserves	**(116,527)**	(117,571)	
Unusable Reserves	**(678,713)**	(546,626)	
Group Income and Expenditure Account	**(20,283)**	356	
Total Reserves	**(815,523)**	(663,841)	

*See Note 9 for further information

Group Cash Flow Statement

	31 March 2018 £000	31 March 2017 £000	Note
Net (surplus) or deficit on the provision of services	**(21,221)**	(67,965)	
Adjustments to net surplus or deficit on the provision of services for noncash movements			
Depreciation	**(43,750)**	(42,158)	
Impairment and revaluation	**7,399**	42,230	
Amortisations	**(243)**	(253)	
Increase/(Decrease) in Impairment for provision of bad debts	**(2,935)**	836	
Decrease/(Increase) in creditors	**(14,191)**	(10,650)	
Increase/(Decrease) in debtors	**13,997**	6,339	
Increase/(Decrease) in inventories	**(3,579)**	1,743	
Difference between IAS 19 pension cost and pensions paid	**932**	(15,257)	
Carrying amount of non-current assets sold	**(8,293)**	(4,996)	
Movement in value of investment properties	**(2,204)**	(25,938)	
Movement in provisions	**(5,257)**	1,925	
	(58,124)	(46,179)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the Sale of property, plant and equipment, investment property and intangible assets	**6,999**	4,002	
Revenue expenditure funded from capital under statute	**(1,943)**	(6,019)	
Capital grants	**62,591**	79,813	
Net cash flows from Operating Activities*	**(11,698)**	(36,348)	
Investing Activities	**80,953**	155,022	10
Financing Activities	**(46,944)**	(124,242)	11
Net (increase) or decrease in cash and cash equivalents	**22,311**	(5,568)	
Cash and cash equivalents and bank overdraft at the beginning of the reporting period	**39,961**	34,393	
Cash and cash equivalents and bank overdraft at the end of the reporting period	**17,650**	39,961	

*The following items are included within operating activities:

	31 March 2018 £000	31 March 2017 £000
Interest Received	**(1,246)**	(1,400)
Interest Paid	**16,347**	15,207
Finance lease interest paid	**1,137**	1,119
Dividends Received	**(4,813)**	(4,006)
Finance lease interest received	**(1,385)**	(1,358)
Taxation paid	**195**	196

Notes to the Group Accounts

The Stockport Council Group

The Council has relationships with a number of companies over which it has varying degrees of control and influence. In line with the Code, the Council continues to review its relationship with other entities, particularly in respect of the definition of control and accounting for joint arrangements. The bodies considered to be part of the Stockport Council Group are shown below.

Bodies Consolidated

Two bodies, in addition to Stockport MBC, have been included in the Group Accounts; Stockport Homes Ltd and Totally Local Company Ltd (formerly Solutions SK Ltd). These are wholly owned subsidiaries of the Council and have been accounted for on an acquisition basis and subsequently consolidated on a full line by line basis, writing out inter-group transactions.

Stockport Homes Ltd was formed by the Council to take over the responsibility for managing and maintaining the Council's dwellings and has been a wholly owned subsidiary of Stockport Council since 1 October 2005. It is an ALMO (arms-length management organisation) of the Council and is a company limited by guarantee. The liability of the Council is limited to £1.

The Board of Directors of Stockport Homes Ltd consists of eleven voluntary members including customers, independent and stakeholder members. In addition, the Stockport Homes Ltd Member Committee, a cross party Council body, monitors and oversees the Company's work and is responsible for appointing Board Directors.

Stockport Homes Ltd principal source of income is a management fee, paid by Stockport Council, for managing and maintaining the Council's housing stock. It is also paid a fee to operate the Homelessness Service.

Stockport Homes Ltd has two subsidiary companies, which were established in 2016/17, namely, Three Sixty SHG Ltd and Viaduct Partnerships Ltd. Three Sixty SHG Ltd is primarily a construction company, established to deliver core elements of the HRA capital programme. Viaduct Partnerships Ltd is a development company for new builds for rental purposes. Both companies are wholly owned by Stockport Homes Ltd.

During 2017/18, the management fee and other charges made to the Council by the Stockport Homes Group amounted to £37.886m (£35.377m in 2016/17). Outstanding balances owed by the Council to the Stockport Homes Group at the year end amounted to £2.422m (£1.325m 31 March 2017).

During 2017/18, the Council charged the Stockport Homes Group £3.178m (£2.611m in 2016/17) for the provision of support services and other items. Outstanding balances owed by the Stockport Homes Group to the Council at the year end amounted to £41.199m (£30.326m at 31 March 2017) this was made up of £0.729m (£0.258m at 31 March 2017) of trade payables and loans of £40.470m (£30.068m at 31 March 2017).

Totally Local Company Ltd (formerly Solutions SK Ltd) was formed to take over the responsibility for providing highways maintenance, property and building maintenance, catering, and refuse collection services. The company became a wholly owned subsidiary of Stockport Council from 1 November 2006. The Board consists of two Executive Directors, and up to four independent Non-Executive Directors.

To support the Council's business objectives, a Contributor Committee has been established consisting of seven Members drawn from all the Party Groups. The Contributor Committee appoints all Directors.

Totally Local Company Ltd has a wholly owned subsidiary company; Waste Solutions SK Ltd. This company collects waste and products for recycling in the Greater Manchester Area.

Totally Local Company Ltd Group's principal source of income is from fees and charges for services provided to Stockport Council and Stockport Homes Ltd.

During 2017/18, the management fee and other charges made to the Council by Totally Local Company Ltd amounted to £33.708m (£29.176m during 2016/17). Outstanding balances owed by the Council to Totally Local Company Ltd at the year end amounted to £0.903m (£2.002m at 31 March 2017).

During 2017/18, the Council charged Totally Local Company Ltd £0.859m (£0.853m during 2016/17) for the provision of support services. Outstanding balances owed by Totally Local Company Ltd to the Council at the year end amounted to £10.841m (£11.745m at 31 March 2017) this was made up of £0.239m (£0.229m at 31 March 2017) of trade payables and loans of £10.602m (£11.516m at 31 March 2017).

Bodies Not Consolidated

Stockport Exchange Phase 2 Ltd
Stockport Exchange Phase 2 Ltd was established by MUSE Developments Ltd as a special purpose vehicle (SPV) for the Council's hotel and office development. As part of the arrangement, there was a put/call option that would be exercised if MUSE failed to find a buyer for either the hotel or offices, or both. The option was exercised on 24 October 2016 and the Council purchased the share capital in the SPV for £1. The Council has appointed two of its Officers as directors to the company.

On 16 December 2016 the assets of the Company were surrendered and the carrying value for the hotel and office assets, £18.957m, was transferred to the Council's balance sheet in return for extinguishing the loan in the SPV balance sheet. In the latest audited accounts, period ending 31 December 2017, the company recorded a loss of £0.009m (£0.006m in 2016/17) for the financial period and net current liabilities of £0.015m (£0.006m in 2016/17). There are minimal transactions remaining in the SPV.

Although, the SPV is a wholly owned company of the Council, based on qualitative and quantitative assessments, the interest in the company is not considered material

for consolidation into the Group Accounts. Information is material if omitting it or misstating it could influence the decision or view that users of accounts make, on the basis of financial information about a specific reporting entity.

Once all transactions are complete, the SPV will become a dormant company and ultimately be wound up.

Stockport Hotel Management Company Ltd
On 19 September 2016, the Council incorporated Stockport Hotel Management Company Ltd as the trading company for the Hotel appointing two Council Officers as Directors. This is a wholly owned company of the Council and the Council provided £0.100m of share capital. Interstate Ltd was appointed to operate the Hotel under the Holiday Inn Express franchise and it opened for business on 19 December 2016.

As a wholly owned company, the Council must consider consolidating Stockport Hotel Management Company Ltd within its Group accounts. In the latest audited accounts, period ending 31 December 2017, the company recorded a profit of £0.141m for the financial period, and net current assets of £0.241m. Based on qualitative and quantitative assessments, it has been judged that the interest in the entity is not material to the Council and therefore not consolidated into the Council's Group Accounts for 2017/18.

Other entities
No other entities are considered to be part of the Stockport Council Group for consolidation purposes.

Notes to the Group Accounts

Where figures in the Group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

The Statement of Accounts was authorised for issue on 18 July 2018 by the Borough Treasurer. This is the date up to which events after the balance sheet date have been considered and included where relevant.

1. Accounting Policies

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, Stockport Homes Ltd and Totally Local Company Ltd (formerly Solutions SK Ltd).

The accounting policies of the Council's consolidated subsidiary companies have been aligned with the Council's Accounting Policies set out in Note 40. Any statutory adjustments between the accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary companies, for example in relation to retirement benefits.

The total comprehensive income and expenditure items of the group companies are accounted for within the Group Income and Expenditure Account, including the surplus/deficit on the provision of services, surplus/deficit on revaluation of property, plant and equipment and re-measurement of the defined benefit liability.

2. Short Term Debtors including Payments in Advance

These include all debts falling due within 12 months of the balance sheet date:

	Balance at 31 March 2018 £000	Balance at 31 March 2017 restated £000
Central Government	**18,062**	14,106
Other Local Authorities	**17,830**	23,417
NHS Bodies	**5,087**	3,167
Public Corporations and other entities	**29,301**	23,039
Collection Fund:		
Business Rates	**7,104**	4,371
Council Tax	**12,716**	12,402
Social Services Clients	**4,945**	5,702
Housing Rents	**1,411**	1,174
Car & Other loans	**2,165**	163
	98,621	87,541
Bad Debt Provision	**(17,274)**	(14,339)
Total	**81,347**	73,202

There has been a restatement of balances at 31 March 2017 between standard categories.

3. Short Term Creditors including Receipts in Advance

	Balance at 31 March 2018 £000	Balance at 31 March 2017 restated £000
Central Government	**(9,618)**	(11,590)
Other Local Authorities	**(10,707)**	(3,962)
NHS Bodies	**(2,580)**	(2,953)
Public Corporations and other entities	**(56,627)**	(54,823)
Collection Fund:		
Business Rates	**(3,717)**	(903)
Council Tax	**(1,933)**	(1,773)
Employees Accumulated Absences	**(5,590)**	(4,707)
Total	**(90,772)**	(80,711)

There has been a restatement of balances at 31 March 2017 between standard categories.

4. Provisions

	Insurance Fund £000	Business Rates Appeals £000	Planning Appeals £000	Employee Related £000	Taxation Related £000	Dilapidation Provision £000	Total £000	Comparative figures for 2016/17 £000
Long term								
Balance 31 March 2017	(4,045)	(1,190)					**(5,235)**	(5,672)
Increases in year		(1,710)					**(1,710)**	(148)
Decreases in year	480						**480**	585
Balance as at 31 March 2018	**(3,565)**	**(2,900)**	**0**	**0**	**0**	**0**	**(6,465)**	(5,235)
Short term								
Balance 31 March 2017	(747)	(2,262)	(23)	(900)		(425)	**(4,357)**	(5,845)
Increases in year	(24)	(6,062)		(37)	(278)		**(6,401)**	(1,194)
Decreases in year	25	1,910		190		249	**2,374**	2,682
Balance as at 31 March 2018	**(746)**	**(6,414)**	**(23)**	**(747)**	**(278)**	**(176)**	**(8,384)**	(4,357)
Total Provisions	**(4,311)**	**(9,314)**	**(23)**	**(747)**	**(278)**	**(176)**	**(14,849)**	(9,592)

Employee and taxation related provisions

These are Totally Local Company Ltd provisions and comprise several individual provisions for various employment and tax issues, none of which are individually material in nature or size.

Dilapidation provision

This is a Stockport Homes Ltd provision in relation to the planned move from the current property to new offices and the remaining balance will be settled during 2018/19.

5. Property, Plant and Equipment

Movements in 2017/18:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation								
At 1 April 2017	413,963	497,706	49,623	280,110	2,005	11,034	137,360	**1,391,801**
Additions	21,664	21,043	4,526	17,434			79,259	**143,926**
Revaluation increases to Group reserve	13,060							**13,060**
Revaluation increases/ decreases to Revaluation Reserve	1,573	66,772						**68,345**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	9,046	(10,901)						**(1,855)**
Impairment losses to Surplus or Deficit on the Provision of Services		(7,466)						**(7,466)**
Derecognition - Disposals	(4,240)	(3,709)	(43)					**(7,992)**
Reclassifications & Transfers	7,560	15,735	73	7,900			(35,704)	**(4,436)**
Other Movements *			(2,881)					**(2,881)**
At 31 March 2018	**462,626**	**579,180**	**51,298**	**305,444**	**2,005**	**11,034**	**180,915**	**1,592,502**
Accumulated Depreciation and Impairment								
At 1 April 2017	(12,026)	(33,853)	(27,367)	(100,365)	(276)	(5,999)		**(179,886)**
Depreciation Charge	(11,208)	(17,785)	(4,636)	(9,949)	(12)	(6)		**(43,596)**
Depreciation written out to Revaluation Reserve	190	10,161						**10,351**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	10,049	6,457						**16,506**
Impairment losses to Surplus or Deficit on the Provision of Services		289						**289**
Derecognition - Disposals	133	221	37					**391**
Reclassifications & Transfers								**0**
Other Movements *			2,881					**2,881**
At 31 March 2018	**(12,862)**	**(34,510)**	**(29,085)**	**(110,314)**	**(288)**	**(6,005)**	**0**	**(193,064)**
Net Book Value								
At 31 March 2018	**449,764**	**544,670**	**22,213**	**195,130**	**1,717**	**5,029**	**180,915**	**1,399,438**
At 1 April 2017	401,937	463,853	22,256	179,745	1,729	5,035	137,360	1,211,915

The group value of net assets comprises Council assets - £1,320.688m; Stockport Homes Ltd assets - £72.731m and Totally Local Company Ltd assets - £6.019m.

Movements in 2016/17:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant and Equipment £000**
Cost or Valuation								
At 1 April 2016	350,849	468,164	43,985	263,808	2,005	13,520	82,689	**1,225,020**
Additions	12,679	8,972	5,609	17,033	0		72,078	**116,371**
Donations		18,452						**18,452**
Revaluation increases/ decreases to Revaluation Reserve	5,876	9,505						**15,381**
Revaluation increases/ decreases to Surplus or Deficit on the Provision of Services	47,769	(1,536)						**46,233**
Impairment losses to Surplus or Deficit on the Provision of Services		(7,534)						**(7,534)**
Derecognition - Disposals	(1,755)	(1,953)	(62)					**(3,770)**
Reclassifications & Transfers	(1,455)	3,695	91	3,671	0	(2,486)	(17,407)	**(13,891)**
Other Movements *		(59)	0	(4,402)				**(4,461)**
At 31 March 2017	**413,963**	**497,706**	**49,623**	**280,110**	**2,005**	**11,034**	**137,360**	**1,391,801**
Accumulated Depreciation and Impairment								
At 1 April 2016	(9,139)	(47,948)	(20,768)	(95,632)	(264)	(7,479)	0	**(181,230)**
Depreciation Charge	(10,929)	(15,329)	(6,655)	(9,135)	(12)	(6)		**(42,066)**
Depreciation written out to Revaluation Reserve	1,054	32,645						**33,699**
Depreciation on Revaluation increases/decreases taken to Surplus or Deficit on the Provision of Services	6,913	(4,524)						**2,389**
Impairment losses to Surplus or Deficit on the Provision of Services		1,142						**1,142**
Derecognition - Disposals	75	102	56					**233**
Reclassifications & Transfers						1,486		**1,486**
Other Movements *		59		4,402				**4,461**
At 31 March 2017	**(12,026)**	**(33,853)**	**(27,367)**	**(100,365)**	**(276)**	**(5,999)**	**0**	**(179,886)**
Net Book Value								
At 31 March 2017	**401,937**	**463,853**	**22,256**	**179,745**	**1,729**	**5,035**	**137,360**	**1,211,915**
At 1 April 2016	341,710	420,216	23,217	168,176	1,741	6,041	82,689	1,043,790

*Fully depreciated and decommissioned assets which have been de-recognised.

6. Pensions

The Group participate in the Greater Manchester Pension Fund as part of a pooled arrangement, where individual bodies have admitted body status within the Stockport MBC pool for purposes of the actuarial valuation. However, each entity accounts individually for its net defined benefit cost (and the resultant asset or liability).

The single entity also participates in the Teachers' Pension Scheme and the NHS Pensions scheme, details of which are given in the single entity statements Note 36.

In addition, the subsidiaries participate in two separate defined contribution schemes. The pensions charge for the year ended 31 March 2018 was £0.332m (31 March 2017- £0.239m).

The underlying assets and liabilities for retirement benefits attributable to the Group participation in the Greater Manchester Pension Fund as at 31 March are as follows:

	GMPF (SMBC) £000	GMPF (Stockport Homes Ltd) £000	GMPF (Totally Local Company Ltd) £000	Teachers' Discretionary Benefit £000	**31 March 2018 Total £000**	31 March 2017 Total £000
Estimated Employers' Assets	917,467	64,660	88,643	0	**1,070,770**	1,008,130
Present Value of Scheme Liabilities	(1,172,437)	(81,901)	(93,276)	(20,078)	**(1,367,692)**	(1,338,198)
Net Pension (Liability)/Asset	**(254,970)**	**(17,241)**	**(4,633)**	**(20,078)**	**(296,922)**	(330,068)

The characteristics of the GMPF are set out in the single entity statements Note 36.

The expected pension scheme contributions to the GMPF for the group for the year ending 31 March 2019 will be approximately £21.5m.

A reconciliation of the group position on the Greater Manchester pension fund is set out below:

	Period ended 31 March 2018			Period ended 31 March 2017		
Changes in the Fair Value of Plan Assets	**Net (liability)/ Assets**	**Assets**	**Obligations**	Net (liability)/ Assets	Assets	Obligations
	£000	**£000**	**£000**	£000	£000	£000
Fair Value of Employer Assets	**1,008,130**	**1,008,130**	**0**	840,498	840,498	0
Present value of funded liabilities	**(1,305,863)**		**(1,305,863)**	(1,101,671)		(1,101,671)
Present value of unfunded liabilities	**(32,335)**		**(32,335)**	(30,329)		(30,329)
Opening position as at 31 March 2016	**(330,068)**	**1,008,130**	**(1,338,198)**	(291,502)	840,498	(1,132,000)
Service Costs:						
- current service cost*	**(46,270)**		**(46,270)**	(27,842)		(27,842)
- past service costs (including curtailments)	**(1,082)**		**(1,082)**	(1,021)		(1,021)
Total service cost	**(47,352)**	**0**	**(47,352)**	(28,863)	0	(28,863)
Net Interest:						
- interest income on plan assets	**25,922**	**25,922**		29,326	29,326	
- interest cost on defined benefit obligation	**(35,036)**		**(35,036)**	(39,608)		(39,608)
Total net interest	**(9,114)**	**25,922**	**(35,036)**	(10,282)	29,326	(39,608)
Total defined benefit cost recognised in Profit or (Loss)	**(56,466)**	**25,922**	**(82,388)**	(39,145)	29,326	(68,471)
Cashflows:						
- Contributions from Members	**(458)**	**6,076**	**(6,534)**	(492)	5,986	(6,478)
- Contributions from Employer	**55,867**	**55,867**		22,316	22,316	
- Contributions in respect of unfunded benefits	**1,989**	**1,989**		2,064	2,064	
- Benefits paid	**0**	**(31,239)**	**31,239**	0	(32,404)	32,404
- Unfunded benefits paid	**0**	**(1,989)**	**1,989**	0	(2,064)	2,064
Cashflows	**57,398**	**30,704**	**26,694**	23,888	(4,102)	27,990
Expected closing position	**(329,136)**	**1,064,756**	**(1,393,892)**	(306,759)	865,722	(1,172,481)
Remeasurements:						
- Changes in demographic assumptions	**0**	**0**	**0**	(1,611)	0	(1,611)
- Changes in financial assumptions	**25,959**	**0**	**25,959**	(198,892)	0	(198,892)
- Other experience	**241**	**0**	**241**	34,786	0	34,786
- Return on assets excluding amounts included in net interest	**6,014**	**6,014**	**0**	142,408	142,408	0
Total Remeasurements recognised in CIES	**32,214**	**6,014**	**26,200**	(23,309)	142,408	(165,717)
Fair Value of Employer Assets	**1,070,770**	**1,070,770**		1,008,130	1,008,130	
Present Value of Funded liabilities	**(1,336,916)**		**(1,336,916)**	(1,305,863)		(1,305,863)
Present Value of Unfunded liabilities	**(30,776)**		**(30,776)**	(32,335)		(32,335)
Closing Position as at 31 March 2018	**(296,922)**	**1,070,770**	**(1,367,692)**	(330,068)	1,008,130	(1,338,198)

7. Group Expenditure and Funding Subjective Analysis

	Total Group 2017/18	Total Group 2016/17 Restated*
	£000	£000
Expenditure		
Employee Benefit Expenses	**303,999**	282,211
Other service expenses	**323,557**	308,708
Capital charges including depreciation and impairment	**36,520**	6,192
Financing and investment expenditure including interest	**65,175**	88,327
Levies	**40,972**	39,264
Payments to Housing Capital Receipts Pool	**2,921**	1,856
Losses/(gains) on disposal of assets/ impairment of assets held for sale	**(2,118)**	775
Taxation expense	**333**	199
	771,359	727,532
Income		
Fees, charges and other service income	**(141,053)**	(134,000)
Financing and investment income including interest	**(48,187)**	(48,948)
Income from Council Tax and Business Rates	**(216,217)**	(180,247)
Government grants and contributions (including donations)	**(386,790)**	(432,103)
	(792,247)	(795,298)
	(20,888)	(67,766)

*Reclassification of contribution

8. Results of Subsidiaries

The results of subsidiaries within Net Cost of Services comprises:

	2017/18 Expenditure £000	**2017/18 Income £000**	**2017/18 Net £000**	2016/17 Expenditure £000	2016/17 Income £000	2016/17 Net £000
Operating result of Totally Local Company Ltd	**36,669**	**(35,782)**	**887**	34,113	(34,175)	(62)
Operating result of Stockport Homes Ltd	**42,872**	**(45,587)**	**(2,715)**	36,340	(40,524)	(4,184)
Consolidation adjustments	**(59,198)**	**59,198**	**0**	(59,233)	59,233	0
	20,343	**(22,171)**	**(1,828)**	11,220	(15,466)	(4,246)

Consolidation adjustments relate to revenue expenditure charged between the Group companies which reduces overall expenditure and income for the Group accounts.

9. Cash and Cash Equivalents

	Balance at 31 March 2018 £000	Balance at 31 March 2017 £000
Cash and bank balances	**40,924**	36,083
Short term investments, considered to be cash equivalents	**11,050**	17,750
Bank Overdraft	**(34,324)**	(13,872)
	17,650	39,961

The prior year balance sheet has been restated, to reflect the separate disclosure of bank overdraft within current liabilities rather than netting it off cash and cash equivalents.

10. Note to the Cash Flow Statement- Investing Activities

	31 March 2018 £000	31 March 2017 £000
Purchase of property, plant and equipment, investment property and intangible assets	**156,328**	216,732
Purchase of short-term and long-term investments	**0**	22,600
Other capital payments for investing activities	**1,943**	19,748
Other payment for investing activities	**41**	71
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(6,999)**	(4,002)
Capital grants	**(70,195)**	(59,961)
Proceeds from short-term and long-term investments	**0**	(40,000)
Other receipts from investing activities	**(165)**	(166)
	80,953	155,022

11. Note to the Cash Flow Statement- Financing Activities

	31 March 2018 £000	31 March 2017 £000
Cash receipts of short- and long-term borrowing	**(673,000)**	(537,590)
Other receipts from financing activities	**4,021**	(2,182)
Repayments of short- and long-term borrowing	**622,035**	415,530
	(46,944)	(124,242)

PART 2 - OTHER ACCOUNTS

This section summarises the accounts of various funds and other bodies which the Council administers on behalf of their trustees or otherwise. They are not part of the assets of the Council, and are therefore not included within the Balance Sheet.

Trust Funds

The Council is responsible for the administration of a number of trust funds on behalf of their trustees. This statement sets out the income and expenditure in relation to those trusts. These funds do not represent assets of the Council and are not therefore included within the Comprehensive Income and Expenditure Statement.

	Balance at 31 March 2017 £	Increases in year £	Reductions in year £	**Balance at 31 March 2018 £**
Hollingpriest Educational Foundation	(1,258)	0	5	**(1,253)**
Woodbank Memorial Fund	(2,655)	(9)	9	**(2,655)**
Brookfield Park Shiers Family Trust	(288,578)	(6,286)	0	**(294,864)**
Total	(292,491)	(6,295)	14	**(298,772)**

Notes

Hollingpriest Educational Foundation

The Fund was established for the provision of academic, social and physical training for young people in Stockport under the age of 25 years.

Woodbank Memorial Fund

The income from the invested funds is to be used for the benefit of the park and its services. The annual interest it to be utilised by Parks Services in connection with Woodbank Park.

Brookfield Park Shiers Family Trust

The Charity was established for the residents of Cheadle and Gatley for health, education and social services purposes as the Council, as Trustees, in its discretion sees fit. The current policy is to maintain the value of the original bequest in real terms. At its meeting on 9 June 2015, the Trustees resolved to reserve £25,000, which is to be used to address the effects of loneliness amongst elderly residents and the consequential effect on their health. A total of £15,624 has been allocated to date, which is not reflected in the table above. The drawdown for the payments will be made during 2018/19.

Glossary of Accounting Terms

Accounting Period
The period of time covered by the accounts, normally twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

Accrual
An amount included in the accounts to cover income or expenditure attributable to an accounting period but for which payment has not been received or made by the end of the accounting period. This is based on the concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because: (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or (b) the actuarial assumptions have changed.

Amortise
To write off a balance gradually and systematically over a specified period of time. Examples of balances which are amortised include Government Grants Deferred and Premiums and Discounts arising from early repayment of loans.

Asset
Something of value which is measurable in monetary terms.

Billing Authority
An authority responsible for the collection of the Council Tax and Business Rates.

Borrowings
Capital expenditure may be fully or partly financed by Supported Borrowing which is financially assisted by the Government, or by Unsupported Borrowing which receives no Government financial assistance.

Capital Expenditure
Expenditure on the acquisition of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own non-current assets.

Capital Receipt
The proceeds from the sale of a non-current asset, or the repayment of an advance.

Cash and Non-Cash Limits
Cash limit items are items which are under the direct accountable responsibility of a specified officer, as opposed to non-cash limit items (e.g. insurance, levies and financing costs) which are general council in nature and managed on a corporate basis.

Collection Fund
A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

Community Assets
Assets that the Council intends to hold in perpetuity, have no determinable finite useful life and in addition may have restrictions on their disposal. Examples of community assets are playing fields and parks.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next should be the same.

Constructive obligation
An obligation that derives from a Council's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities and
- as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset
A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability
A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.

Council Tax
A banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

Creditors
Amounts owed by the Council for work done, goods received or services rendered to the Council during the accounting period, but for which payment has not been made by the balance sheet date.

Current Assets
Assets which will be consumed or cease to have value within the next accounting period, e.g. stock and debtors.

Current Liabilities
Amounts which will become payable or could be called in within the next accounting period, e.g. creditors and cash overdrawn.

Current Service Cost (Pensions)
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Curtailment
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts due to the Council which relate to the accounting period and have not been received by the balance sheet date.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers.

Employees Accumulated Absences
Employees Accumulated Absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full, for example, annual leave, flexitime and time in lieu.

Exceptional Items
Material items which arise from events or transactions that fall within the ordinary activities of the Council and which by virtue of their size or incidence need to be disclosed separately to give a fair presentation of the accounts.

Expenditure
Costs incurred by the Council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

Events after the Balance Sheet Date
Events after the Balance Sheet date, are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Financial Instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities and can be straightforward financial assets and liabilities, such as trade receivables and trade payables, or very complex ones, such as derivatives.

Finance Lease
A lease that transfers the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer may be presumed to occur if at the inception of the lease, the present value of the total of lease payments, amount to all the fair value of the leased asset.

General Fund
The main revenue account of the Council, which brings together all income and expenditure other than that recorded in the HRA and the Collection Fund.

Housing Revenue Account
A statutory account which local authorities have to maintain if they provide public housing, and which includes all income and expenditure relating to the administration and maintenance of council dwellings and related properties.

Impairment
A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet.

Income
Amounts due to the Council in respect of services performed, taxes levied or grants receivable during the accounting period, irrespective of whether or not any movement of cash has taken place.

Infrastructure Assets
Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investments
Items such as company shares, other securities and money deposited with financial institutions (other than bank current accounts). A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.
Investments that do not meet the above criteria should be classified as current assets.

Investment Properties
Interests in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential rather than for operational purposes, any rental income being negotiated at arm's length.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future.

Leasing
A method of acquiring the use of an asset by paying a rental for a specified period of time, rather than purchasing it outright.

LOBO ("Lender Option Borrower Option")
A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every 2 to 5 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Materiality
The concept that any omission from or inaccuracy in the statements of account should not be large enough to affect the understanding of those statements by a reader.

Minimum Revenue Provision (MRP)
A revenue charge in respect of the repayment of an element of the accumulated capital expenditure funded by borrowing, in accordance with MRP regulations.

Net Assets
Total Assets less total liabilities. This is the amount by which the total assets of the Council exceed its total liabilities, and equals the total Reserves of the Council.

Net Book Value
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Defined Benefit Liability (asset)
The present value of the defined benefit obligation less the fair value of the plan assets (adjusted for the asset ceiling).

Net Interest Income (expense) – Pensions
The change during the period in the net defined benefit liability (asset) that arises from the passage of time. This includes allowance for interest on the current service cost.

Non-Current Assets
Tangible assets which have value to the Council for more than one year, e.g. land, buildings, equipment.

Non-Domestic Rates (NDR/Business Rates)
A tax levied on business properties, and sometimes known as Business Rates. Previously a Business Rates poundage was set annually by the government and rates, based on properties' rateable value, were collected by billing authorities and paid into a national pool. The proceeds were then redistributed by central government as a grant to local authorities in proportion to adult population. From 1 April 2013 new arrangements came into effect and Business Rates now follows a similar process to Council Tax with the Council retaining a proportion of business rates for use in the direct funding of its services.

Observable and unobservable inputs for fair value measurement
- Observable inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability;
- Unobservable inputs are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

Operating Lease
A lease where the risks and rewards of ownership of a non-current asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economic life of the asset.

Past Service Cost
The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or

withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

Precept
A levy by one authority which is collected on its behalf by another, e.g. Stockport Metropolitan Borough Council collects Council Tax on behalf of the Greater Manchester Police and Crime Commissioner (GMPCC) and the Greater Manchester Fire and Rescue Authority.

Premiums and Discounts
Premiums and discounts arise on the early repayment and restructuring of debt.
The repayment sum will be higher than the principal amount borrowed if interest rates are presently lower than the loan rate (premium). The repayment sum will be lower than the principal amount if the current interest rates are higher than the loan rate (discount).
If Premiums and Discounts arise from debt re-scheduling they may be amortised over the lifetime of replacement loans where applicable.

Present value of defined benefit obligation
The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Prior Year Adjustments
Material adjustments to the accounts of earlier years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Provisions
Amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur but where there is uncertainty as to the amounts involved or the dates on which they will arise.

Prudence
The concept that income should only be anticipated to the extent that it can be realised with reasonable certainty, whilst full and proper allowance should be made for all known and foreseeable losses and liabilities.

Public Works Loan Board
A Government agency which provides borrowing facilities to local authorities for the financing of capital expenditure.

Reserves
Amounts set aside in the accounts to meet expenditure which the Council may decide to incur in future periods, but not allocated to specific liabilities which are certain or very likely to occur.
Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as balances, and usually arise as unplanned surpluses of income over expenditure.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Contribution to Capital Outlay (RCCO)
Capital expenditure funded otherwise than from borrowings, grants, contributions or receipts.

Revenue Expenditure
Expenditure incurred on the day-to-day running of the Council, as opposed to items which will last for more than one year.

Revenue Expenditure Funded from Capital Under Statute
Expenditure which may properly be spread over more than one year but which does not result in, or remain matched with, tangible assets. An example of a revenue expenditure funded from capital under statute is a grant of a capital nature to a voluntary organisation.

Revenue Support Grant
A central government grant paid to each local authority to help to finance its general expenditure. The distribution of the grant between authorities is intended to allow the provision of similar standards of service throughout the country for a similar Council Tax levy.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks

relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Transferred Debt
Debt which was created on 1 April 1986 on the dissolution of the former Greater Manchester Council and apportioned over the ten district councils of Greater Manchester, repayable annually on an annuity basis over the 36 years to 31 March 2022.

Vested Rights
In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.